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FINANCIAL TIMES

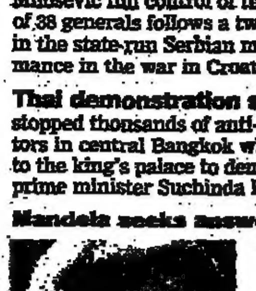
Weekend May 9/May 10 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

# Milosevic in full control as 38 generals sacked

Yugoslavia purged the top ranks of the military establishment to give Serbian president Slobodan Milosevic full control of the army. The dismissal of 38 generals follows a two-month smear campaign in the state-run Serbian media of the army's performance in the war in Croatia. Page 2

**Thai demonstration stopped:** Riot police stopped thousands of anti-government demonstrators in central Bangkok when they tried to march to the king's palace to demand the ousting of prime minister Suchinda Kraprayoon. Page 3

**Mandela seeks answers**



African National Congress president Nelson Mandela (left), called on the government to answer allegations that General C.P. van der Westhuizen, South Africa's military intelligence chief, was involved in the assassination in 1985 of an anti-apartheid leader. Page 3

**Fall in US jobless:** The first fall in US unemployment for nine months was seen as further evidence of economic recovery. Page 3

**Oilfield venture:** Chevron Corporation, fourth largest US oil company, has agreed to a joint venture with Kazakhstan which could lead to the development of one of the world's largest oilfields. Page 2

**Japanese failure:** Lec, maker of bathroom products and kitchenware, filed for protection with the Tokyo district court, marking the first failure of a listed Japanese company since 1986. Page 10

**Jail for ex-fertility doctor:** Cecil Jacobson, a former fertility doctor, from Alexandria, Virginia, convicted of deceptively impregnating patients with his own sperm, was sentenced to five years in prison and fined $75,000.

**Death toll rises:** The death toll from the collapse of a temporary soccer stand in Bastia, Corsica, rose to 12 when another of the 530 injured died in hospital.

**Broker to quit:** Hoare Govett Japan, Japanese arm of the London-based broker, will close its Tokyo branch, becoming the seventh foreign-affiliated broker to withdraw from Tokyo. Page 10

**Polls success pleases Major:** UK prime minister John Major said he was "extremely pleased" with the results of Thursday's local elections, in which the Conservatives took control of seven councils and gained more than 300 seats. Page 4

**Warning from Foster's:** Foster's Brewing Group, Australia's biggest brewer, said difficult economic conditions may force it to write down the value of its remaining non-core assets. Page 10

**Woolworth move:** The German arm of US retailer Woolworth has taken an indirect stake of 6.25 per cent in Horten, Germany's fourth largest retail group, for an undisclosed sum. Page 10

**MI5 takes lead:** MI5 is to replace the Metropolitan Police Special Branch as leader in the battle against IRA attacks in mainland Britain. Page 3

**State takes control:** The Swedish government is take full control of Nordbanken, the country's second largest commercial bank, in a SKr20bn ($3.38bn) rescue. Page 10

**IBM interest:** IBM may invest in Time Warner Entertainment, film, television and cable division of the entertainment group, in connection with plans to create a joint venture. Page 10

**Emissions agreement close:** Negotiators from 143 countries last night appeared close to agreement on limiting emissions of carbon dioxide and other "greenhouse" gases. Page 2

**Dewhurst to shut shops:** Dewhurst, which runs the UK's biggest chain of butcher's shops, is to close up to 600 of its 1,006 high-street outlets over the next 18 months, with the loss of up to 1,500 jobs. Page 4

**Peace with Albania:** Britain is to return to Albania £10m in gold looted by the Nazis during the second world war and Albania will pay $2m (£1.1m) compensation for an accident in 1946 in which 44 British seamen died off Albania. However, money and gold are unlikely to change hands. Page 2

| ■ STOCK MARKET INDICES | | |
|---|---|---|
| FT-SE 100: | 2,725.7 | (+23.8) |
| Yield | 4.48 | |
| FT-SE Eurotrack 100 | 1,188.95 | (+6.43) |
| FT-A All Share | 1,319.37 | (+1.0%) |
| Nikkei | 18,375.95 | (−34.93) |
| New York: lunchtime | | |
| Dow Jones Ind Ave | 3,372.54 | (+9.17) |
| S&P Composite | 415.47 | (+0.62) |
| ■ US LUNCHTIME RATES | | |
| Federal Funds: | 3 13/16% | |
| 3-mo Treas Bills: Yld | 3.784% | |
| Long Bond | 100 1/2 | |
| Yield | 7.923% | |
| ■ LONDON MONEY | | |
| 3-mo Interbank | 10 1/8% | (same) |
| Liffe long gilt future: | Jun 98 3/4 | (Jun 98 1/4) |
| ■ NORTH SEA OIL (Argus) | | |
| Brent 15-day (June) | $19.625 | (19.625) |
| ■ Gold | | |
| New York Comex (May) | $336.8 | (335.6) |
| London | $335.8 | (336.3) |

| ■ STERLING | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.7865 | |
| London: | | |
| $ | 1.787 | (1.7965) |
| DM | 2.945 | (2.94) |
| FFr | 9.9 | (9.8975) |
| SFr | 2.7825 | (2.715) |
| Y | 238.25 | (238.5) |
| £ Index | 92.8 | (92.8) |
| ■ DOLLAR | | |
| New York lunchtime: | | |
| DM | 1.646 | |
| FFr | 5.5365 | |
| SFr | 1.529 | |
| Y | 133.45 | |
| London: | | |
| DM | 1.6475 | (1.636) |
| FFr | 5.54 | (5.51) |
| SFr | 1.529 | (1.511) |
| Y | 133.35 | (132.7) |
| $ Index | 64.7 | (64.4) |
| Tokyo close Y 132.55 | | |

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# Germany braced for private sector strikes

By Christopher Parkes in Bonn

GERMANY is bracing itself for more strikes next week as bitter recriminations soured the air of relief yesterday over the end of the country's worst public sector strike since the war.

In an extraordinary outburst, the federal minister in charge of negotiations said he had been "stabbed in the back" by state employers who negotiated the end of the 11-day national strike among the country's 3m public sector workers.

Mr Rudolf Seiters, interior minister, who led the the employers negotiating team, claimed the Social Democrat employers had undermined his position as he entered the crucial closing round of pay talks on Thursday which led to a 5.4 per cent offer. "I find it hard to accept this award and have agreed with a heavy heart," he said.

His comments came as engineering employers in the private sector were bracing themselves for official strikes among their 4m workers.

"I think it will come to a strike," said Mr Gerhard Cromme, chairman of the Krupp steel and engineering group.

While claiming that private sector employers were increasingly prepared for stoppages, he seemed uncertain about the extent to which they could hold down wages.

As Mr Cromme warned of falling sales and profits, and "pruning" in his company, about 120,000 metalworkers continued "warning strikes". Their union, IG Metall, is due to hold a board meeting on Tuesday to plan the next stages of its campaign for a 9.5 per cent pay rise. The employers have so far refused to improve their 3.3 per cent offer.

The headline figure of 5.4 per cent for public services is now widely viewed as the starting point for a settlement, although many public service union members, ordered back to work overnight, described their award – a mixture of one-off payments and a 5.4 per cent increase in basic pay – as a "sell-out".

Mr Seiters, who led the employers' negotiating team, said the overall award amounted to 5.12 per cent. The total extra cost of DM16bn (£5.4bn) – DM2.3bn from the federal budget, DM1.6bn payable by local councils and the balance shared between state governments, post and railway authorities – was DM480m less than the price of the 5.4 per cent award proposed by arbitrators.

The ÖTV union, meanwhile, claimed the deal was worth 5.7 per cent. Although early reactions suggested a strong vote to reject the award when it is put to the ballot next week, observers felt the necessary 50 per cent "yes" vote would be achieved.

Mr Seiters was openly furious about last-minute interventions by Social Democrat leaders who had called publicly for payment of the full arbitration award. He said his negotiating position had been "massively weakened".

Overture to main event, Page 2
Editorial Comment, Page 6
Tough choices, Page 6
Krupp forecasts decline, Page 10
Lex, Page 22

# UK government property deal may rescue O&Y

By Robert Peston in London and Bernard Simon in Toronto

THE UK government and Olympia & York are at an advanced stage in talks on a multi-million-pound property deal which would help rescue the troubled developer.

The deal would involve the government taking 500,000 square feet of space at O&Y's Canary Wharf development in East London, in return for a commitment from the company that it will make its £400m contribution to the costs of extending the capital's Jubilee underground line.

Talks between Toronto-based O&Y and the government were already taking place before the company ran into financial difficulties two months ago with debts of $12bn.

However, Mr Michael Heseltine, Trade and Industry Secretary, has accelerated the negotiations in the hope that they will help to stabilise the company's financial position.

A deal with the government on the space at Canary Wharf, Europe's biggest property development, is unlikely to be finalised for a few weeks. However, sources close to the talks said that the Department of Trade and Industry under Mr Heseltine and the Department of Environment, his previous department, were both expected to take space.

Under the proposal being discussed, thousands of civil servants would move to London's docklands, though ministers would remain in Whitehall and Westminster.

If the deal is clinched, that should help O&Y to refinance individual Canary Wharf buildings, which in turn would provide it with the funds to meet its contribution to the Jubilee line.

O&Y's financial difficulties have called into doubt its ability to deliver on its promise that it would provide £400m of the costs of extending the Jubilee Line into London's Docklands.

The 11 lenders to the £3bn Canary Wharf project yesterday agreed to provide O&Y with £21m of new borrowings to meet its expenses for the rest of May. The money was provided only after extreme pressure was put on Canadian Imperial Bank of Commerce, which was threatening to put the Docklands project into administration under UK insolvency procedures by withholding its share of the new money.

In a series of meetings with its 15 principal bank creditors over the past two days, O&Y has outlined its five-year financing requirements. It wants a £300m revolving credit facility to complete phases one and two of Canary Wharf.

However, the Canary Wharf banks said yesterday they were unhappy that a substantial portion of this £300m was being raised for the sole purpose of allowing O&Y to pay them the interest they are owed. These banks say they would rather have O&Y shares in place of cash interest, which is what the parent company's banks have been offered by O&Y.

The Canary Wharf lenders are, however, being offered shares in Canary Wharf itself. But one banker said yesterday that "at the moment these are worth nothing".

On the other hand, the parent company bank group owed $4bn, which is being offered O&Y "B" class non-voting shares, yesterday complained about the absence of voting rights on these shares.

The main element in this $4bn is a "jumbo" loan of $2.5bn. O&Y has shocked the providers of this jumbo loan by telling them that its cash flow over the coming five years will only cover between 40 per cent and 50 per cent of the interest due on the loan. So the lenders may have to receive the remainder in the form of shares.

Banks in general said that the latest refinancing proposals from O&Y, presented on Thursday, were a big improvement on what was offered three weeks ago and could serve as the basis for further negotiations.

However, they are concerned that they do not solve the problem of the growing number of disgruntled holders of bonds and other securities, which are secured by O&Y buildings in Toronto and New York.

Picture by Tony Andrews

End of the phoney war: Lord Hanson sees the way clear for the Anglo-American conglomerate's next big acquisition

# Hanson sells its stake in ICI

By Roland Rudd

HANSON, the Anglo-American conglomerate, yesterday cleared the way for its next big acquisition by officially ending its phoney war with Imperial Chemical Industries when it sold its 2.8 per cent stake in the UK company.

While there was no official comment from ICI except to say that it would continue to work on its cost improvement programme, one of its advisers described the sale as the final admission of defeat by the conglomerate.

Hanson made a profit from its ICI shareholding of about £28m.

It is understood that Hanson would like to make a big agreed deal by the end of the year. The conglomerate, one of the UK's most acquisitive companies, has not launched a hostile bid since 1986.

Since Hanson raided the market in May 1991 to take a 2.8 per cent stake in ICI, a full bid had been expected for the the pharmaceuticals group, which waged an effective propaganda war against the conglomerate.

In response to criticism of its corporate governance and lack of an obvious successor to Lords Hanson and White, respectively chairman and

Continued on Page 22
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# Sterling, shares up on recovery hopes

By Peter Marsh and James Blitz

SHARE prices and sterling continued to rise yesterday, as investors registered optimism about economic recovery in the UK.

The FT-SE 100 index of leading shares finished at 2,725.7, up 23.8, to reach a record close for the third day running. The pound edged up half a pfennig to DM2.945, its highest close in London against the D-Mark for nine months.

Sentiment about an upturn was helped by this week's half-percentage point cut in UK base rates to 10 per cent, together with a sharp rise in new car sales.

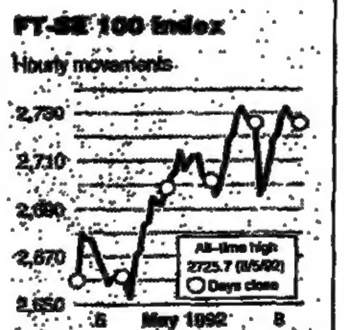
Both shares and the pound have benefited from buying pressure from international investors, especially from Japan and Germany, who appear to be taking a sanguine view of UK growth prospects.

The 66-point advance in the FT-SE 100 index during the week has been especially helped by sterling's continued rise within the 10-currency European exchange rate mechanism.

Starting the week above only the Danish krone, sterling has leapfrogged the lira, the French franc and the punt in the past few days. It is now only slightly weaker than the D-Mark, the central currency in the system. Mr Richard Kersley, an equity strategist at Barclays de Zoete Wedd, the London investment bank, said the mood of optimism had been fired by the perception that sterling's strength could give the Treasury room to cut UK borrowing rates still further in the next few months.

Mr Kersley warned, however, against over-optimism. "People may have become more confident, but so far we have seen very little hard evidence about the pace of any recovery."

**FT-SE 100 Index**
Hourly movements



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# BT plans to reward its smooth operators

By Diane Summers, Labour Staff

BT STAFF who whistle while they work could find themselves the proud recipients of a Pierre Cardin simulated pearl necklace or a Sony Walkman, under a management scheme to lift the workforce's low spirits during this financial year.

The scheme is being introduced as as BT cuts a total of 24,000 jobs

Managers who feel a particular employee is "living BT's values" will be able to nominate the individual for a gift to be chosen from a catalogue of 50 items. Other prizes include a Fortnum and Mason hamper, binoculars, a telephone (BT-approved), and Armani scarves and gloves.

The Union of Communication Workers, which represents BT telephone operators, said it was furious about the scheme. "This is yet another cynical attempt to manipulate the workforce," said Ms Janice Stone, a UCW national official.

Operators have been particularly badly hit by the job

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National Grid to apply, Page 4

CONTENTS

# Fall in jobless shows sluggish US recovery

By Michael Prowse in Washington

FIGURES showing the first fall in US unemployment for nine months were yesterday seen as further evidence that a sluggish recovery is underway.

The Labour Department said the unemployment rate fell to 7.2 per cent last month compared with 7.3 per cent in March. Non-agricultural employment rose 126,000 to just over 109m, about twice the increase expected in financial markets. This was the third consecutive monthly increase in non-farm employment after a setback during the winter.

"It's a crawl, but a crawl up", said Mr Allen Sinai, chief economist at the Boston Group, an economic consultancy. He said employment was rising at about half the rate normal at the start of an economic recovery.

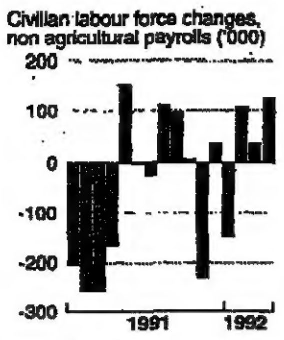
Mr William Brown, chief economist at J P Morgan, said the figures indicated positive economic growth but "not a fully-fledged recovery". Many analysts expect the economy to continue expanding at about the 2 per cent annual rate registered in the first quarter.

Few economists rule out the possibility of another small cut in interest rates if the economy fails to gather momentum. The Federal Reserve, the central bank, has failed to prevent the money supply once again falling below its 2.5 to 6.5 per cent growth target band.

The composition of last month's employment increase did little to generate confidence. Job creation was centred in business services, health care and the retail trade. Payrolls were flat in manufacturing and construction – the sectors which usually lead the economy out of recession. The jobs report follows a Fed survey this week indicating a slight improvement in retail sales and manufacturing production. However, the pace of recovery of both consumer demand and residential housing appears to have tailed off recently.

**US employment**

Civilian labour force changes, non agricultural payrolls ('000)



Source: Datastream

# Pay-off 202 years on for Madison

By George Graham in Washington

IT has taken him 202 years, but James Madison has at last put his final mark on the US Constitution.

Michigan this week became the 38th state to ratify a constitutional amendment to limit Congress's right to raise its own pay, first proposed by Madison in 1789 – when Michigan was under British rule. This gives the proposal the endorsement of three quarters of the states, enough to allow it to take its place as the 27th amendment.

In spite of its advanced age, the amendment matches remarkably the mood of US voters today, when Congress is under sustained attack for voting itself perks and pay rises. The amendment provides that "No law varying the compensation for the services of senators and representatives shall take effect, until an election of representatives shall have intervened."

Madison, the principal author of the Bill of Rights, argued that allowing members to vote themselves an immediate pay rise would show "indecorum."

# Milosevic wins out as 38 generals sacked

By Laura Silber in Belgrade

THE RUMP Yugoslav presidency yesterday purged the top ranks of the military establishment in a move which gives Mr Slobodan Milosevic, the president of Serbia, full control over the army. It also marks the final transformation of the Yugoslav forces into a Serbian army.

The dismissal of 38 generals, follows a two-month smear campaign in the state-run Serbian media of the army's performance in the war in Croatia and its failure to quash the republic's independence.

The dismissals include General Blagoje Adzic, the acting defense minister, who "officially resigned". He has been replaced - as chief of staff - by General Zivota Panic. The defence ministry will be filled by a civilian.

Tanjug, the Belgrade-based news agency, also reported the sacking of Gen Milutin Kukanjac, commander of the federal army forces in Bosnia, whose headquarters is in Sarajevo.

The sackings allow middle-ranking, and younger Serb officers to run the army. These officers have little in common with their communist Yugoslav superiors whom they accuse of conducting a "soft" campaign in Slovenia and Croatia after both republics declared independence in June.

The reshuffle of top army ranks will pave the way for the withdrawal of the Yugoslav federal army from Sarajevo, and those regions of Bosnia not controlled by Serb irregulars. The revamped Yugoslav federation, consisting of Serbia and its close ally Montenegro, have ordered its citizens who are soldiers, to withdraw from Bosnia.

But diplomats yesterday said the withdrawal was cosmetic because it leaves behind in Bosnia 40,000 Bosnian Serbs and all the army material.

The purge coincides with renewed clashes in Sarajevo, the capital of Bosnia-Hercegovina, and an agreement between Serb and Croat leaders to carve up the newly independent republic.

The European Community yesterday denounced the plan which, besides leaving Bosnia's 2m Moslems without a homeland, undermines any attempts by the international community, and the UN to broker a peace in Bosnia.

Radio Sarajevo reported fighting between Serb irregulars and Bosnian territorial defense in several regions of the capital. At least 500 people have been killed and over 450,000 forced to flee.

Mr Marrack Goulding, the UN undersecretary, on a mission to assess the feasibility of deploying a peacekeeping force to Bosnia, condemned "the indiscriminate and random shelling of civilian targets" in Bosnia.

German public sector strike

# An overture to the main event

By Christopher Parkes in Bonn

SOME accounts were easily calculated and quickly settled. "I'm going to take the rise, tear up my card and quit the union. That way I'll be DM38 (£12.90) a month better off," a dispassionate Düsseldorf bus driver declared.

"All that hassle for absolutely nothing," concluded a colleague, back at the controls of his tram for the first time in 11 days.

The only consensus was that the public purse will have to yield up a further DM16bn to pay for the settlement this year, and that the loss of production and sales attributable to the disruption of post, transport, telephones and other services will cost a further DM1bn.

There is as yet no accounting for the loss of confidence among union members, the loss of jobs, proclaimed as inevitable by learned economists, the loss of face in Chancellor Kohl's government and, not least, the loss of patience.

While the machinery of the public sector rolled back into service as quickly and smoothly as it had been brought to a standstill, tempers frayed for the first time. "We Germans don't like striking. We like to work. But we don't like doing either for nothing," said a Bonn postal worker, unhappy at being asked to work overtime to clear the backlog.

The mood was further undermined by the mounting certainty that the events of the last two weeks were nothing more than an overture to the main event: a strike in the engineering and metal-working industry. Few people had clear recollections of the last public sector strike, 18 years ago, and for most there was a certain novelty about the latest stoppage.

Bicycles were hauled out of cellars, taxis ran impromptu, meticulously scheduled "bus" services, normally dour drivers gave lifts to the bikeless. In Hamburg earlier this week, at the high point of the strike, dustmen turned out voluntarily to clean up the Reeperbahn "entertainment" quarter because they did not want tourists to leave with the wrong impression of Germany.

But few have forgotten the last engineers' strike, remembered as the bitterest post-war campaign. At its peak, the union called out a mere 58,000 workers. Management responded by locking out a further 160,000 and laying-off 450,000 without wages or strike pay. At one stage the country's car industry was paralysed.

The issue then was shorter working hours. The issue now is pay. This week's public sector deal provided the first component of a complex and difficult equation. The headline pay increase of 5.4 per cent for workers who, in the words of IG Metall leader, Mr Franz Steinkühler "produce nothing" will not be nearly enough for the 4m people operating the machines which generate most of Germany's wealth.

Aftermath: refuse collectors clearing up the mess in Berlin yesterday

# Chevron wins deal in Kazakhstan oilfields

By Deborah Hargreaves

CHEVRON Corporation, the fourth largest US oil company, has signed a long-awaited agreement with the republic of Kazakhstan that could lead to the multi-billion dollar development of one of the world's largest new oilfields.

The deal is the most significant venture agreed between a western oil company and the authorities in the former Soviet Union and offers encouragement to many other companies currently embroiled in negotiations.

The company said that after four years of negotiations it had signed a protocol for the creation of a joint venture in the Tengiz area. The Tengiz oilfield near the Caspian Sea is estimated to contain as much as 25bn barrels of oil – equal to the size of Saudi Arabia's entire oil reserves.

Chevron said that when work began on the project it would involve an initial investment of $1.5bn by the venture partners over the first three years. The company gave no timetable for the project.

Reports of the deal in the Russian press say that 80 per cent of the profits from the venture would be allocated to Kazakhstan.

A previous deal over Tengiz which Chevron had tentatively agreed two years ago came in for fierce criticism from the Russian press for selling natural resources too cheaply. That deal was believed to involve a 28 per cent profit margin for the US company.

Mr Kenneth Derr, Chevron's chairman, said: "We are pleased that after long discussion we've reached this breakthrough." The company returned to the negotiating table late last year once the break-up of the former USSR was underway, transferring power over resource deals to the governments of the republics.

Mr Derr said the agreement covers the Tengiz field, the Korolev field and an exploration area extending over 4,000 square kilometres. The Tengiz field contains oil at very high pressure with a high sulphur content. For this reason, it will be expensive to exploit and demands sophisticated technology not available in the former USSR.

Estimates for the amount of oil that can be recovered from the 25bn barrels of reserves run at 3-4bn barrels. The deal is also believed to include the construction of an oil pipeline to one of the Black Sea ports.

Mr Derr said in a recent interview: "From our standpoint, it's a very high risk deal, but the size of it is unique and it could have a meaningful impact on a company of our size for a long time."

The joint venture is expected to be in place for 40 years and is widely regarded as a showcase deal. Mr Eduard Shevardnadze, former Soviet foreign minister, said last year: "It is no secret that the US will judge our readiness to co-operate by the success or failure of this project."

Wall Street took a positive view of the venture: "It will have no major impact on earnings for three to four years," said Mr Paul Mlotok at Morgan Stanley, "but getting access to 25bn barrels of oil has got to be a big plus."

However, other industry observers sounded a note of caution, pointing out that Chevron has only signed an initial protocol and the project could still be subjected to long delays or even cancellation. The award of a feasibility study for Russia's giant Sakhalin oil project is currently being reviewed. Kazakhstan president, Mr Nursultan Nazarbayev, publicly welcomed Chevron's involvement.

# Deal on gas emission curbs imminent

By Michael Littlejohns in New York and George Graham in Washington

NEGOTIATORS from 143 countries appeared on the verge of agreement late last night on an historic treaty to limit emissions of carbon dioxide and other gases blamed for an alarming rise in the earth's temperature.

Mr Jean Ripert of France, chairman of the United Nations-sponsored negotiating committee, hailed what he termed a "decisive step", though the document fell far short of the strict controls that negotiators originally sought. Environmentalist groups complained that the treaty had been stripped of any measures to make reductions in greenhouse gases binding on the developed countries.

Mr Ripert was instrumental in narrowing differences between the US and EC members, which, he acknowledged, were serious enough to have raised questions over Washington even joining the treaty.

The convention will be a key document for adoption at the Earth Summit to be held in Rio de Janeiro next month. Agreement on how to deal with global warming would remove political obstacles to President George Bush's presence at the 175-nation conference, which until now has been in doubt.

The draft convention would commit industrialised countries to aim to limit emissions of greenhouse gases to 1990 levels. But, in deference to US reservations, no deadline for this would be set.

US officials said the text represented "a delicate balance of views".

While the US has opposed the inclusion of binding targets or timetables for reducing greenhouse gas emissions, its delegates see the current text as committing it only to a frame of reference, rather than to implementing specific targets or timetables.

The US is also pleased that the agreement now refers to reductions in all greenhouse gases, rather than just carbon dioxide, the principal such gas.

# N-forces to remain under CIS control

By Leyla Boulton in Moscow

NUCLEAR FORCES of the former Soviet Union will remain under joint Commonwealth control for the time being despite Russia's decision to form its own military forces, Gen Pavel Grachev, acting Russian defence minister, said yesterday.

He spelt out plans for dismantling the Red Army at a ceremony to commemorate the anniversary of its finest hour – the defeat of Nazi Germany 47 years ago today.

Gen Grachev, appointed on Thursday when President Boris Yeltsin ordered the creation of a Russian army, said Russia was counting 2.63m of the former Soviet Union's 3.7m-strong armed forces as its own, including some stationed in other republics.

However, Russia aimed to cut numbers to 1.5m by 1996 to create an army that was "powerful, mobile...manageable and professional". It planned to set up rapid deployment forces and would take its general staff from that of the former Red Army.

However, this did not mean the immediate disappearance of the Commonwealth joint command, which would remain in place until all strategic weapons were withdrawn from Belarus and Ukraine. Gen Grachev suggested Russia might have to negotiate a separate treaty with Kazakhstan, the other republic with nuclear arms on its territory, or find a means of prolonging some kind of Commonwealth control over these weapons.

Belarus and Ukraine have committed themselves to becoming non-nuclear weapon states, but Kazakhstan has insisted on keeping its options open.

# Albania and UK resolve old war disputes

By Robert Graham in Rome

ONE of the last major remaining diplomatic and legal disputes arising out of the Second World War was resolved yesterday at the British embassy in Rome.

At a low key ceremony, Albanian and British officials agreed to bury all outstanding differences caused by the 'Corfu Channel incident', when, in 1946, two British destroyers struck Albanian laid mines while exercising their rights passing through the Corfu Channel.

One destroyer was sunk with the loss of 44 lives. The other was holed and had to be scuttled. In retaliation Britain broke off diplomatic relations and withheld gold claimed by Albania. The gold had been seized by the Nazis in their occupation of Europe and was found by the allies at the end of the war in caves in southern Germany. It was impounded and subsequently administered by a tripartite commission of Britain, France and the US being used to settle numerous state and private post-war claims.

Britain took the Corfu Channel incident to the International Court of Justice at the Hague which ruled in 1948 that the Albanian government pay £843,947 compensation. The communist government in Tirana never recognised the decision and with the isolationism of the regime of Enver Hoxha a dialogue was impossible. The first tentative contacts began only seven years ago.

Yesterday's agreement involved Britain undertaking to hand over some 1,574kg of gold to Albania as the latter's share held by Britain in the tripartite commission. In return, Britain will receive $2m from Albania in settlement of all outstanding claims.

It is doubtful whether any money or gold will change hands. Britain accepted the impossibility of Albania paying the accumulated value of the court judgment, and the democratically-elected government of President Sali Berisha refrained from pressing for payment of the current value of the gold. Britain established diplomatic relations last year but the agreement smoothes the way for increased bilateral assistance from the UK. The agreement requires formal approval from France and the US.

## NEWS IN BRIEF

### Fierce fighting for key Nagorno-Karabakh town

ARMENIAN irregulars attacked the last Azerbaijani stronghold in the disputed enclave of Nagorno-Karabakh yesterday, Reuter reports from Moscow. The dawn assault on the heavily-defended town of Shusha left little hope of success for an Iranian-mediated ceasefire signed the same day in Tehran by the Armenian and Azerbaijani presidents.

Azerbaijan rejected Armenian claims to have taken the town. Its capture by Nagorno-Karabakh's Armenian majority would be a turning-point in the war between the former Soviet republics. Both sides reported heavy casualties in yesterday's fighting.

### Walesa seeks greater powers

President Lech Walesa of Poland yesterday asked parliament to vote for a strong executive presidency with powers to appoint and dismiss governments, writes **Christopher Bobinski in Warsaw.**

His speech is likely to prolong the government crisis and further strain the relations between the Parliament and the presidency.If, as is likely, parliament fails to grant him these powers, Mr Walesa threatened to appeal to the country, and build his own party in order to force "effective government."

### Mexican inflation falls

Mexico's inflation rate in April fell to 0.9 per cent, bringing the cumulative rate for the first four months of the year to 5 per cent, reports **Damian Fraser from Mexico City.** While inflation is now at its lowest since 1975, the government target of single digit inflation appears out of reach.

### Norway's budget deficit soars

Norway yesterday unveiled a revised budget for 1992 which disclosed a massive deficit due to lower oil prices and measures to cut record unemployment levels.

# Maverick champion of old-style Gaullist values

## Séguin is battling to prevent ratification of the Maastricht treaty, reports Ian Davidson

WHEN the votes were counted in the French National Assembly on Wednesday, Mr Philippe Séguin, the maverick champion of old-style Gaullist values, was jubilant. In the quixotic hope of throwing out the Maastricht Treaty of European Union lock, stock and barrel, he had just delivered a mammoth diatribe, lasting nearly 2 ½ hours, designed to prove the whole exercise was incompatible with the constitution and the soul of France.

He failed by a wide margin but chalked up a bigger score than anyone expected. Of the 569 members voting, 101 cast their ballot against the Maastricht Treaty, including nearly half the 126 members of his own Gaullist Party.

The government was disturbed at such a large anti-Treaty vote but the Gaullist party leadership, which had tried to tread an ambivalent line of half-hearted scepticism, was appalled at the scale of the split in the party.

Nobody seriously expects Mr Séguin can prevent ratification of the Maastricht Treaty. With the Socialists, the Centrists, and the centre-right UDF umbrella grouping, the government can still probably count on a solid majority, even without the Gaullists.

Yet Mr Séguin's oratorical *tour de force*, set off powerful patriotic vibrations with a large minority of his fellow parliamentarians, which may yet create uncertainty in the ratification process.

He rallied support from nationalists across the political spectrum, including 4 votes from the centre and centre-right, and all 26 Communists; Mr Jean-Pierre Chevènement, the maverick Socialist and leader of a small clan of 5 left-wing Gaullists in the Socialist Party, warmly congratulated Mr Séguin for his very "Republican" speech.

Philippe Séguin has long been a disturber of the peace in the Gaullist Party. He served as social affairs minister in the government of Mr Jacques Chirac in 1986-88; but after Mr Chirac's defeat in the 1988 presidential elections, Mr Séguin challenged Mr Chirac's status as party leader.

A year later he joined a short-lived rebellion of young Gaullists in a protest against the stranglehold of Chirac; but after it was put down promptly recanted.

In relation to President Mitterrand's ambitions for a more integrated EC however, Séguin's attitude has been one of consistent hostility.

Mr Séguin was born and brought up in Tunisia before its independence, and some people link his passionate French patriotism to his *pied-noir* origins. Whatever the psychological springs, Mr Séguin remains an unreconstructed Gaullist, in an era when it is less fashionable and less feasible.

His European convictions derive in every detail from General de Gaulle's passionate faith in France's future as an independent and sovereign country, and his hostility to the supranational undertones of the European Community. "Without a currency tomorrow, without a defence", said Mr Séguin on Wednesday, "without a diplomacy the day after, France would at best have as little freedom of manoeuvre as Ukraine or Azerbaijan. Some people can accept that; but it is not the future that I want for my country".

"The logic of the economic and political process put together at Maastricht, is that of a cut-price federalism, fundamentally anti-democratic, falsely liberal, deliberately technocratic. The Europe they are offering us... buries the concept of national sovereignty and the great principles born of the Revolution.

Like de Gaulle, Séguin's vision of Europe is of a loose congeries of freely cooperating sovereign states, in what used to be summed up as "L'Europe des Patries".

As a corollary, he believes in a wide extension of this Europe to include all the countries of the continent.

De Gaulle remains a hero for many Frenchmen because he restored their self-respect after the shame of Vichy, and appeared to promise France a great future as a great power.

In 1958 many thought De Gaulle might reject the fledgeling EC. Instead he announced: "We shall enter the Common Market as agreed. We shall enter, but upright".

These were the words Philippe Séguin chose for his peroration. "Yes, we want Europe, but upright". A romantic cry of protest for what he must have known was likely to be a lost cause.

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# Mandela demands answer on 'hit squad'

By Michael Holman and Patti Waldmeir in Johannesburg

MR Nelson Mandela, president of the African National Congress (ANC), yesterday called on the government to answer allegations that a South African security agency was involved in the assassination in 1985 of a prominent anti-apartheid leader.

In the latest, and potentially most serious allegation about the existence of a government-directed hit squad, a Johannesburg newspaper yesterday linked the army intelligence chief with one of South Africa's most notorious political killings. It published what it claimed was an authentic document proposing the killing of Mr Matthew Goniwe and two other anti-apartheid leaders, dated June 7, 1985.

The shot and mutilated bodies of Mr Goniwe and four colleagues, including the two named in the army intelligence document, purportedly sent to the State Security Council, (the highest state security body) were discovered two weeks later. The document is allegedly signed by Brigadier (now General) C.P. van der Westhuizen, now South Africa's military intelligence chief of staff.

The government of President F W de Klerk, who took office in September 1989, has been able to distance itself from allegations of political assassinations during the tenure of former president P W Botha.

If the newspaper can prove its claims, government will have to explain the current role of Gen van der Westhuizen. It would reinforce allegations the Government runs a "dirty tricks" department, a pro-apartheid "third force" within the security services.

Government spokesmen said yesterday the authenticity of the document would be investigated but denied state complicity in the deaths.

● An inquiry into corruption in the administration of black homelands has found that millions of rands disappeared through theft, corruption and maladministration.

## Security forces block protest by tens of thousands demanding removal of prime minister

# Thai march on king's palace halted

By Peter Ungphakorn in Bangkok

TENS of thousands of demonstrators in Bangkok were blocked by security forces last night after the former governor of Bangkok, Major-General Chamlong Srimuang, led a march to the king's palace demanding the removal of premier Suchinda Kraprayoon.

Most protestors, estimated at over 100,000 and probably the largest political demonstration in Thailand for 20 years, remained seated in the huge plaza where a round-the-clock rally is being held.

When police and soldiers blocked his route, Gen Chamlong, who has been on hunger strike since Monday, was reported to have turned his convoy round in an attempt to persuade the rest of the demonstration to join him.

He is said to be weak and has given himself only a few more days to live. His decision to join the fast on Monday and to lead the march on the palace seemed to be designed to keep up pressure on the government and to bring the month-long crisis to a head.

Protest organisers were split, with some complaining bitterly about the former governor's unilateral action. An umbrella group of academics and human rights activists reportedly announced they were leaving the demonstration.

Earlier, the atmosphere at the rally was more relaxed and confident. Huge numbers have gathered to protest against the appointment to the premiership of the former army chief and architect of last year's coup, General Suchinda Kraprayoon.

During the day there had been speculation that Gen Suchinda, who was appointed prime minister without standing in last month's election, might resign. The rumours contributed to a 20-point rally on the stock market. But when he appeared on television in the evening he defended his decision to accept the premiership on the grounds that a neutral leader was needed to hold together the five-party government coalition.

Gen Suchinda argued that it was "universal" democratic practice for the prime minister to be a person supported by a majority in parliament. He said that to resign because of opposition outside parliament would set a dangerous precedent that would lead to instability.

The prime minister pledged that the military and police would not use violence to suppress the demonstration unless infiltrators caused sabotage and violence. He said he had been told the situation was becoming dangerous because the protest had been infiltrated by ill-intentioned groups.

Protestors say last year's coup was part of a plan to instal the dominant group of officers in full political and military control. They say the election was manipulated.

Protestors gather in a Bangkok park early yesterday for a fifth day of demonstrations

# Hong Kong bridge decision queried

HONG KONG'S government is being urged to allow Hyundai of Korea to press its case to build the Tsing Ma bridge. Hyundai's tender was rejected in favour of a higher bid by a British-led consortium, writes Simon Davies in Hong Kong.

Hong Kong's chief secretary Sir David Ford is seeking legal advice on the request by the United Democrats that Hyundai be allowed to address the Legislative Council, which is due to approve the HK$7.14bn (£517m) contract next week.

Hyundai was disqualified because of a short-fall on capital requirements, but the company claimed yesterday it could meet these.

## US ordered to compensate Iran

An international tribunal has ordered the US to compensate Tehran for property frozen in the US since 1979, AP reports from The Hague.

A compensation figure is still to be adjudicated by the tribunal, set up in 1981 under the Algiers Accords.

Some of the property has been in limbo since Washington imposed an embargo against Iran in response to the seizure of the American Embassy in Tehran. Officials in Washington said yesterday they would consider the tribunal's ruling enforceable.

## Rafsanjani landslide

Iran's run-off parliamentary elections yesterday was expected to bring a landslide for a right-centre alliance backing President Akbar Hashemi Rafsanjani's market reforms and moderate foreign policy, Reuter reports from Tehran.

## Banda faces crisis

At least thirty-seven people were killed this week in Malawi's worst civil unrest, Reuter reports from Johannesburg. There have been four days of strikes, presenting President Hastings Banda with the worst crisis of his 28-year rule.

# Japan fears trend to protectionism

By Robert Thomson in Tokyo

THE Japanese government warned yesterday that the collapse of the communist bloc could lead to increased protectionism, as a sense of common purpose among western countries which encouraged the trend toward freer trade had now eroded.

In an annual white paper on international trade, the government said the disappearance of this shared political purpose could encourage countries to "pursue their own short-term domestic interests at the expense of the world's general benefit".

The paper also called for continuing trade reforms within Japan, which has just reported a record surplus of $113bn on its trade account for fiscal 1991, and is facing increasing pressure from Washington to open markets and make business practices more transparent.

In language similar to that used by US trade negotiators, the report said that increased opportunities for foreign suppliers in the Japanese market "will benefit not only foreign corporations, but Japanese consumers as well".

The report noted that in 1991, when Japanese economic growth slowed, the value of imports rose by only 0.8 per cent, the smallest increase since 1986. It said the causes were the collapse of the financial "bubble", leading to a fall in luxury imports and slower capital spending by Japanese companies.

However, Japan's exports rose by 9.6 per cent, and the paper said that about half the increase was due to expanded trade with south-east Asian countries and the other newly-industrialised economies of Asia. As for trade with the European Community, Japan recommended that EC companies should "boost competitive power" in manufacturing industry.

"EC corporations have to make the most of their sales and product-development strength, and construct close co-operative ties with non-EC corporations possessing high technology – his can be done by providing intermediate goods and taking part in product development," it said.

The paper, prepared by the Ministry of International Trade and Industry (Miti) and approved yesterday by the cabinet, conceded that the "enhancement of industrial efficiency has not proportionally enhanced the Japanese standard of living" and that infrastructure must be improved.

"We should utilise the surplus supply capacity and savings to build a social infrastructure instead of exporting our products and financing other countries' investments," it recommended.

"These efforts to emphasise Japanese demand rather than supply will help to reduce the Japanese macro-economic imbalance, to mitigate trade friction, and to encourage the world economy to grow."

# Daihatsu to launch Malaysian car venture

DAIHATSU is to help launch Malaysia's second national car project, Reuter reports from Kuala Lumpur.

Daihatsu, which is partly owned by Toyota, was asked by Malaysian prime minister, Dr Mahathir Mohamad, last year to help build a car of below 1,000cc and costing not more than 20,000 ringgit (£4,400).

Malaysia's first national car, the Proton Saga with engine capacity of 1,300 and 1,500 cc, was launched in 1985 in a joint-venture between the government and Mitsubishi. Its cost has shot up from around 18,000 ringgit to between 35,000 and 40,000 ringgit.

Proton produces about 100,000 vehicles a year, with 15,000 exported.

Dr Mahathir said the second car project will be a venture between Daihatsu and the private sector but the government would offer the same incentives it gave to Proton.

These would include exemption from import duty of components from Japan.

Daihatsu's local partners are to be UMW Holdings, which assembles Toyota cars in Malaysia, state-owned investment agency Permodalan Nasional which has a controlling stake in UMW, and the local Daihatsu distributor.

The car will be based on Daihatsu's K-car (mini-car).

## Delors move to set up supranational executive in Brussels fails to win support

# Hurd stresses caution on EC

By Ivor Owen, Parliamentary Correspondent

BRITISH determination to resist premature moves to confer more authority on the institutions of the European Community was underlined in the Commons yesterday by Mr Douglas Hurd, foreign secretary.

In a dismissive reference to reports that Mr Jacques Delors, president of the European Commission, had already drawn up proposals for a supranational executive in Brussels, he said they had not been made known to the British government or considered by the commission itself.

Mr Hurd, speaking in the resumed debate on the Queen's speech, said there was no case for changing the timetable agreed at the Maastricht summit, which provided for further discussions about the community's institutions in 1996.

He said smooth progress towards EC enlargement through the entry of Austria, Sweden and Finland should be a priority for Britain's presidency of the EC, starting on July 1.

Mr Hurd hoped Britain's presidency would prepare the way for negotiations to be concluded with these three members of Efta in 1993 so that, after the necessary ratification procedures in 1994, they could become EC members in 1995.

He acknowledged that their arrival would require changes in the number of commissioners, the voting rights of the council of ministers, and membership of the European parliament. Mr Hurd insisted: "I can see no advantage whatever in having a sort of permanent negotiation on the institutions of the community".

He envisaged that by 1996 consideration would be given to a second wave of new entrants to the EC, possibly including Czechoslovakia, Hungary and Poland.

The foreign secretary said the EC had enough on its plate without arguing about its institutions. He urged it to concentrate on solving pressing financial and trading problems and completing the single market.

Mr Hurd also called on Libya's Colonel Muammer Gadaffi to draw a "clear, certain, permanent line under the history of his support for terrorism". If the two Libyan officials named in the warrants issued in connection with the Pan Am aircraft destroyed over Lockerbie were handed over to the Scottish or US authorities the position would be "transformed".

Mr Hurd gave an assurance that they would not be subject to any interrogation while awaiting trial in Scotland, and confirmed that they would have the right to remain silent throughout the proceedings, as well as being under the protection of the courts at all times.

Mr Gerald Kaufman, shadow foreign secretary, again pressed for more aid to be provided for the republics of the former Soviet Union. He warned of the risk of turmoil in the republics worse than that now occurring in the former Yugoslav republics.

# Channel 5 curb put on TV-am

By Gary Mead

TV-AM, the commercial breakfast television broadcaster, yesterday agreed in the High Court that before concluding any agreement to invest in a bid for Channel 5, the commercial television station due to begin operations by 1995, it would give the independent company Five TV notice to enable it to obtain an injunction.

Five TV is seeking injunctions to prevent TV-am, with which it discussed co-operation in a bid for the fifth channel, from concluding any agreement to invest in an opposing bid. Five TV is backed by Mr Moses Znaimer, founder of City TV in Toronto.

TV-am is negotiating to form a consortium, The Entertainment Channel, with Time Warner, the world's largest media group, and Mr Conrad Black's Daily Telegraph group.

Five TV took its legal action on the grounds that it understood it had reached a confidentiality and exclusivity agreement with TV-am which would have led to them making a joint bid for Channel 5.

# MI5 to lead intelligence operations against IRA

By Ivor Owen and Jimmy Burns

INTELLIGENCE operations to uncover IRA units operating on the mainland are to be led by MI5, the security service, instead of by the Special Branch of the Metropolitan Police, Mr Kenneth Clarke, the home secretary, announced yesterday.

He told the Commons that "political change" – a Whitehall phrase for the less active role being played by the agents of the former Soviet Union and its satellites – had made it possible for MI5 to devote more resources to countering IRA terrorism in mainland Britain.

The move had been widely expected after the leak just before the general election of a report proposing the change by Mr Ian Burns, a senior Home Office official with experience of Northern Ireland.

Mr Barry Sheerman, a Labour spokesman on home affairs, yesterday expressed concern about the lack of effective parliamentary scrutiny of MI5 and called for the establishment of a select committee of privy councillors to oversee all the intelligence agencies.

Mr Antony Scrivener QC, the former chairman of the Bar Council who has wide experience of terrorism cases, said MI5 agents had a reputation for withholding documentation and refusing to give public evidence in court.

In practice MI5 has for several years been working behind the scenes in anti-terrorism intelligence-gathering both on the mainland and in Northern Ireland, in co-operation with the police and army intelligence.

Yesterday's announcement drew an unprecedented if still uninformative public comment from the head of MI5, Ms Stella Rimington.

She said in a statement: "We look forward to strengthening still further our already close co-operation with the police service and combining our skills even more effectively with theirs to help them bring terrorists to justice."

The home secretary said yesterday that the change did not imply any reduction in the activities of special branch forces in the UK or in the resources available to them to fight terrorism.

Responding to questions in the Commons he underlined the scope for the expertise of MI5 operatives in detecting the membership of Provisional IRA cells, their plans, intentions and movements.

Mr Clarke emphasised that the police would continue to be responsible for the collection of evidence and the arrest and prosecution of those suspected of terrorist offences. The home secretary insisted: "There need be no conflict between intelligence gathering and operations".

Some legal experts predicted that by seeking to give MI5 greater public prominence the government could be paving the way to greater friction between the security services and the police.

The general expectation in the security services is that Mr George Churchill-Coleman, the commander of the Metropolitan Police anti-terrorist branch, will retire before the end of this year or early next year.

The Association of Chief Police Officers said yesterday it welcomed the move, although some senior police officers are understood to have been privately opposed to MI5 taking a bigger role in the detection of terrorism.

# National Grid plans phone network

By Juliet Sychrava and Hugo Dixon

THE National Grid Company plans to use the electricity network of England and Wales to supply large companies with an alternative telephone network.

The company, which owns and operates the electricity grid in England and Wales, said yesterday it would set up a subsidiary called Telecom Electric to develop this business.

National Grid is the latest company to apply for a telecommunications licence, following the government's decision last year to open up the market to competition. Until then BT, the UK's largest telecommunications group, and Mercury Communications, its smaller rival, had exclusive rights to provide basic telephone services.

Telecom Electric would lay telecommunication cables along its existing electricity wires, but does not have any plans to supply domestic consumers.

"We are only looking at a particular sector of the market," National Grid stressed. "We would supply major organisations that already have their own networks, for example between their different sites."

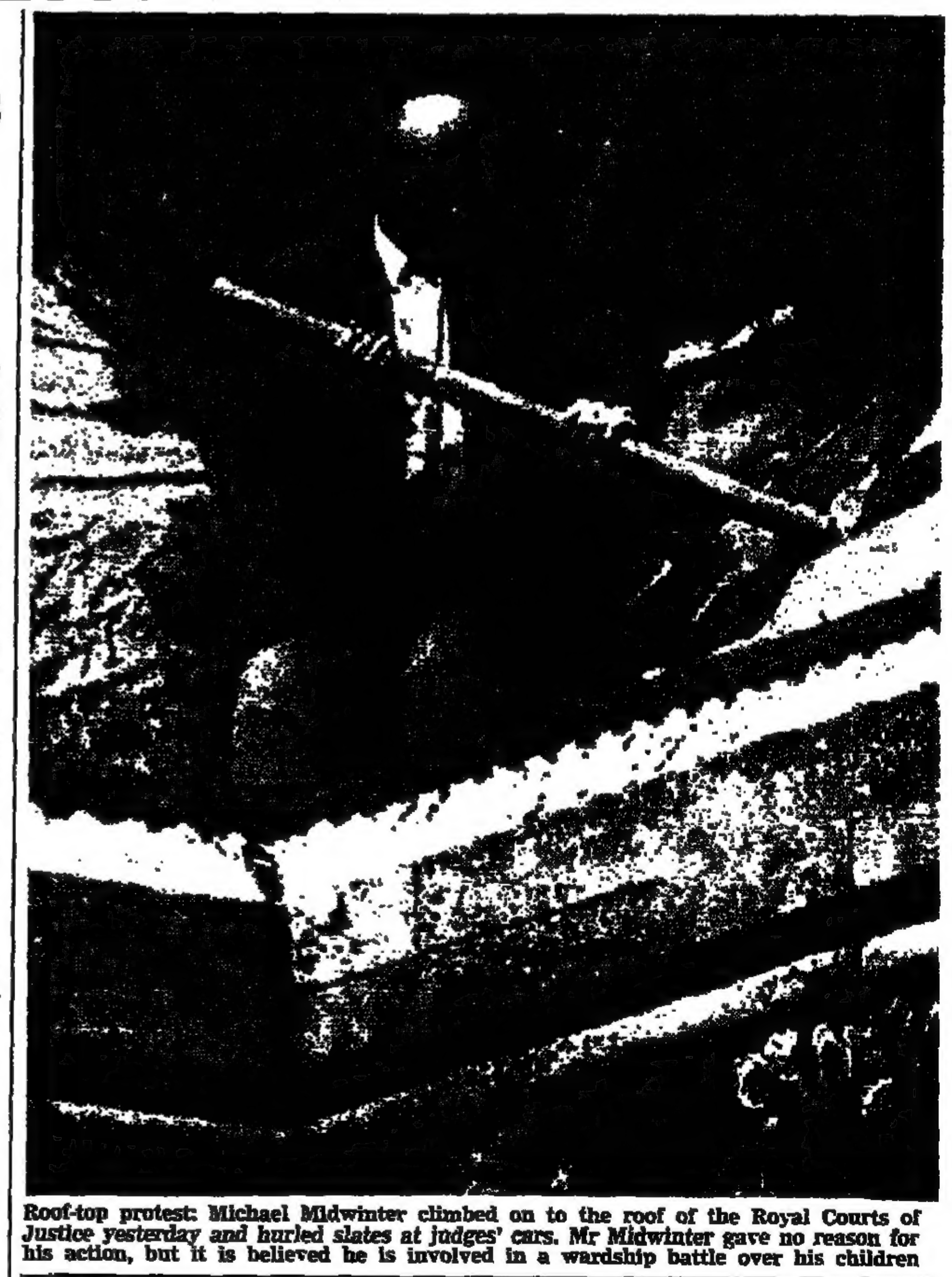
The company said the project was quite distinct from its earlier plans, in conjunction with the regional electricity companies of England and Wales, to invest about £400m in a complete telecommunications network.

"That was a year ago. This is much smaller," the company said.

Last month the two Scottish electricity companies became the first in the sector to apply for telecommunications licences.

Earlier this month Yorkshire Electric took a minority stake in Ionica, a private group which has been awarded a licence to provide a telecommunications service using radio links.

Two other utilities, British Rail and British Waterways, have also applied for licences.



Roof-top protest: Michael Midwinter climbed on to the roof of the Royal Courts of Justice yesterday and hurled slates at judges' cars. Mr Midwinter gave no reason for his action, but it is believed he is involved in a wardship battle over his children

# Settlement agreed on swaps

By Raymond Hughes, Law Courts Correspondent

CHEMICAL BANK confirmed yesterday that it had settled its £2.94m claim against the London Borough of Hammersmith and Fulham, part of the interest-rates swaps litigation. The terms were not disclosed.

Solicitors Linklaters and Paines, for the bank, said it would proceed with its claims against other councils arising from the Lords' ruling in January last year that swaps deals entered into by local authorities were void as they were outside their legal powers.

Three of Chemical Bank's claims – against the London Borough of Richmond, Welwyn Hatfield council in Hertfordshire and Sandwell council in the West Midlands – involve similar facts to those in its case against Hammersmith and Fulham. Chemical Bank's claim against Hammersmith and Fulham was the fifth of the six lead cases in the swaps litigation – selected in the hope of obtaining guidelines from the court – to be settled out of court.

The hearing of the sixth case, NationsBank of North Carolina against Hammersmith and Fulham, started in the High Court on Thursday and will continue on Tuesday.

Yesterday, after hearing an application by Morgan Grenfell, the merchant bank, for its claims against Welwyn Hatfield and South Tyneside council to be made lead actions, Mr Justice Hirst said any parties wishing their cases to become lead actions could apply to the court on June 8.

■ Ashdown wants opposition forums ■ Tories make record gains ■ Turnout higher than first thought

# 'One-party' claims draw Labour fire

By Ralph Atkins

LABOUR moved yesterday to quell suggestions that its poor performance in Thursday's local elections had ushered in a period of one-party politics, as the Conservatives achieved their best council result for 15 years.

Mr Paddy Ashdown, Liberal Democrat leader, will today try to capitalise on Labour's gloom by arguing that its leaders can no longer claim to speak for all *non-Conservatives*.

He will propose setting up wide-ranging policy forums, which would include Labour representatives, to develop an anti-Tory political agenda.

As the final results were announced Mr Jack Cunningham, Labour's campaigns co-ordinator, conceded that the loss of more than 360 seats was disappointing. He said, however, that Labour remained "overwhelmingly the dominant party of local government" with about 9,100 councillors compared with about 8,400 for the Tories.

In spite of a Conservative party estimate that the turnout was a "perfectly respectable" 43 per cent, Mr Cunningham said the lower number of voters in Labour strongholds meant "it is misplaced to read any long-term trends or conclusions" from the results. "What happened on April 9 was something altogether on a very different scale," he said.

Mr Bryan Gould, Labour's environment spokesman and candidate for party leader, told reporters that it was "premature and faintly ridiculous to begin a discussion on whether we have now entered a one-party state."

Mr Gould dismissed a pact with the Liberal Democrats but said he favoured "building common ground" with other parties to prove the Tories were in a minority on many issues. Later he set equality of women and a less "macho" image for politics as a central theme of his leadership bid.

The Conservative party will announce this weekend the replacement of Mr Chris Patten as party chairman by Sir Norman Fowler, the former employment secretary who acted as minder to Mr John Major during the election.

Mr Patten described the local election results as "spectacular". *He said: "They are the* best results for the Conservative party for 15 years and the best results for any governing party." They again showed only the Conservatives could be trusted to provide high-quality services at the best price.

His ebullience was recognised by Mr Ashdown, who acknowledged Liberal Democrats had been wrong to expect guilt-stricken Tory voters at the general election to switch support for the local elections.

Mr Ashdown said, however, that the Liberal Democrats had been able to make "steady progress", even in the face of rising Conservative support.

He said the Liberal Democrat share of the vote was about 19 per cent, 3 percentage points higher than in 1988. Labour claimed about 32 per cent compared with about 45 per cent for the Tories.

Mr Ashdown's speech today will stop well short of calling for election pacts, which would have little support in his party, but will suggest policy forums drawing members from a range of organisations and starting initially on electoral reform.

He wants to spark debate on the realignment of the opposition parties – but is unlikely to receive much attention from Labour leadership candidates who want to lead any moves towards mechanisms for building anti-Tory alliances.

# Conservatives emerge as clear winners

By David Butler

IN NATIONAL terms the Conservatives were plainly the winners in Thursday's vote – and winners on a scale that has eluded them in every set of local elections since the late 1970s. They took a record share of the vote and made a record number of gains. The results indicated a nationwide swing to the Tories of more than 4 per cent.

Labour lost seats and votes on Thursday and should not blame the outcome on their election-weary supporters. The turnout does not appear to have declined as much as early reports suggested.

However, Labour still controls many councils in safe Conservative seats. The Conservatives have a clear majority in only 28 of the 207 authorities that went to the polls, while Labour controls 88 councils.

The Liberal Democrats control eight districts and 68 councils are hung, an increase of nine. In most of those power *is shared between Labour and the* Liberal Democrats.

Granted that only a third of the seats were at stake in any council, however, the Conservatives fared well in many areas. They won a majority of the seats fought in Birmingham, Bradford, Brighton and Bristol, as well as in Derby, Gloucester, Portsmouth, Stoke-on-Trent, Walsall and Wolverhampton.

The Liberal Democrats held all of their strongholds and gained a scatter*ing of seats compared* with 1988, when this year's crop were last contested.

But in 1988 the centre parties were descending into their post-Owen abyss. This year they plainly hoped for better things, and their disappointment is that they did not benefit from the expected return to the fold of those supporters who a month ago deserted them lest Paddy Ashdown proved the Trojan horse for a Labour government.

The normal by-election swing against the government, so often manifest in the annual local contests, was missing. Since April 9, of course, the Liberal Democrats have had no publicity while Labour's headlines have plainly been counter-productive. The government has basked in the afterglow of its unexpected victory, and this week its popularity was reinforced by buoyant economic forecasts and a cut in base rates of half a percentage point to 10 per cent.

There was no strong regional pattern to the results, although Labour's worst results seem to have been in the Midlands. Nottingham and Leicester, where they polled exceptionally well last month, were not voting.

*Scotland had* been expected to produce the most interesting results but in the event provided little excitement. Labour advanced in Aberdeen but fell back in Edinburgh and lost four seats in Glasgow.

The SNP gained 30 seats in all but failed to add to the one council they control or to attain significant bridgeheads. The Conservatives remain very much a minority party north of the border but, as in the general election, a small movement has increased their authority to resist the pressures for radical constitutional change. For the rest of Britain, it is hard to read any great and lasting expression of national will into these votes.

*The author is a fellow of Nuffield College, Oxford.*

**NET SEAT GAINS/LOSSES**

| | |
|---|---|
| Conservative | +308 |
| Labour | −365 |
| Lib Democrat | +61 |
| Green | −2 |
| SNP | +30 |
| Plaid Cymru | +3 |
| Independent | −33 |

**CHANGES IN CONTROL**

C GAINS:
Basildon (NOC*), Perth (NOC), Stratford-upon-Avon (NOC), Woking (NOC) Dudley (Lab), Kyle & Carrick (Lab), Welwyn Hatfield (Lab)

LAB GAINS:
Aberdeen (NOC), Cumbernauld (NOC)

LIB DEM GAINS:
Annandale (NOC)

LAB LOSSES TO NOC:
Bury, Calderdale, Cambridge, Clydesdale, Edinburgh, Falkirk, Kilmarnock, Milton Keynes, Rochdale, Walsall, Wirral, Wolverhampton, Wyre Forest

C LOSS TO NOC:
Bearsden (C)

*NOC = no overall control*

# Councillors face a shrinking town hall

**Alison Smith** on how the role of local politicians is likely to change during the next four years

LOCAL councillors elected this week are likely to find their job descriptions have altered dramatically by the time they ask the voters to renew their contracts in four years' time.

Councillors who now see themselves as full-time providers may by then have become part-time enablers.

Labour's local election campaign was marked by doom-laden warnings about the downgrading of local authorities under threat from central government. The move away from the council as centre of the local universe, as envisaged by the Tories, was summed up by one Conservative who said: "The days of Councillor Sproggins House or Councillor Bloggins Way are over."

The parties are united, however, in emphasising the continuing importance of local government. Both Mr John Redwood, the local government minister, and Mr Bryan Gould, the shadow environment secretary, describe councils as a vital element in the UK's plural democracy.

Officials at the environment department believe that the present ministerial team has a less minimalist view of the constitutional role of local councils than did Mr Michael Heseltine, the former environment secretary.

This belief in councils' constitutional role may be little comfort to councillors conscious that both the main parties have seen a declining variety of candidates as one of the main pressures for change.

If Labour had been in power this point would have been addressed by giving authorities a wider role and by making some posts salaried.

Mr Gould said: "I believe that being a councillor should be a full-time occupation for some people, not a hobby people indulge in during the evenings."

Under the present government the response is to try to cut down the commitment.

The role of local authorities will continue to be reduced as more schools become grant-maintained – though councils will be taking on responsibility for community care – as they work within an ever-tightening central government regime which caps local spending, and as their automatic provision of services comes under further challenge.

In spite of these trends Mr Redwood can still point to the discretion councils have in the provision of some services and can highlight how planning decisions give them "enormous power over the private-sector life of this country".

His argument that detailed government intervention in the delivery of some local services through setting procedures for compulsory competitive tendering (CCT) merely amounts to "suggesting ways in which things could be better managed" is, however, likely to be greeted with a hollow laugh in town halls.

This is particularly so as government intervention through CCT is to be extended, with introduction into housing mangement a priority.

Sir George Young, the housing minister, speaks of councils developing a more challenging and important role once they hand over the management of their housing stock. Mr Redwood believes that the council's role as a provider of services can inhibit its ability to take decisions, but will not prescribe a separation of functions as a solution.

He said: "If a council is a very dominant provider, it may be very protective about other people coming in to provide a slightly different style of service in a chosen area.

"It may well be with certain kinds of care provided in the community that if the authority sees its prime task as enabling the care to be provided and standing up for those who are going to enjoy the care, that they become even tougher on standards – which would be a good thing. But I don't want to overdo it . . . All I ask is that they get good value for money and think about these issues."

Alongside a strengthened role as enablers over the next four years, councillors may find themselves giving more prominence to debating policy and may also develop a role in scrutinising council efficiency, as the cross-party House of Commons public accounts committee does for government departments.

As ministers have found with local government before, however, a change in the job description is more immediately accomplished than a widespread change in those filling the posts, especially as it is the voters rather than the government that make the appointments.

# Tories to oppose school opt-outs

By Andrew Adonis

WANDSWORTH council, the Conservatives' flagship borough in south-west London, looks set to resist attempts by its remaining comprehensive schools to opt out of its control to avoid the re-introduction of selection.

Mr Edward Lister, chairman of Wandsworth's education committee, said he was "strenuously opposed" to the borough's secondary schools opting out as a way of remaining unreformed comprehensives. Although this was a personal view, he said he was "confident" it would be the borough's response to any opt-out applications.

Applications by schools for grant-maintained status do not require local-authority consent, but if applications were opposed by Wandsworth they would be embarrassing test cases of the government's commitment to opting-out.

Education ministers have repeatedly claimed that opting-out is intended to foster freedom and responsibility for school governors, irrespective of arguments for and against selection.

Apart from two church schools, only four comprehensives remain under Wandsworth's direct control, one of which is to become a selective city technology college. Three other comprehensives have already opted out with the borough's blessing.

Mr Lister, who is favourite to succeed Sir Paul Beresford as leader of the council, , is determined that the council's three remaining comprehensives adopt subject or vocational specialisms along with tests and interviews to select pupils for entry. A consultation paper is about to be issued.

Mr Lister said: "We must *oppose those three schools* opting-out of council control. It would not improve choice. But if those schools become selective and provide choice and variety then I will happily support grant-maintained status thereafter."

Tony Andrews

Clean sweep: Jonathon Harris mops seats at Wembley Stadium in preparation for today's FA Cup Final match

# Cup fever paints city red

By Chris Tighe

THE GRASS on the bank around the Nissan factory's test track says it all. "Sunderland. Simply the Best," it proclaims in red and white paint.

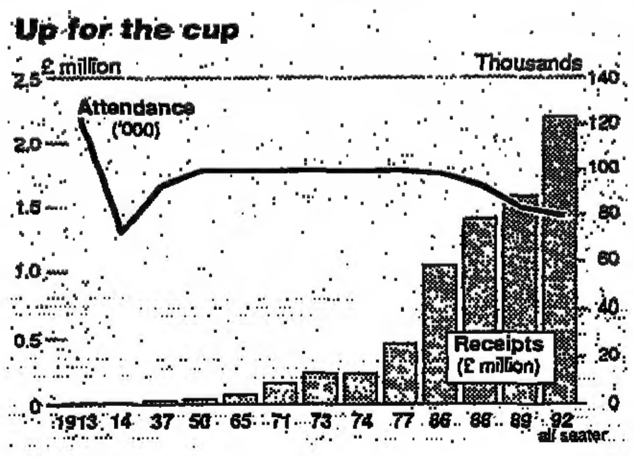
Throughout the city the municipal gardeners have been planting red and white flowers in honour of its football team's appearance in today's FA Cup Final.

On the route the team will follow tomorrow on their triumphal return – win or lose – the lampposts are decked with red and white pompoms and bunting, willingly paid for by local companies.

To an outsider all this may seem excessive. But for Sunderland, reaching the final is the crowning achievement of a run of morale-boosting triumphs. Earlier this year it achieved city status and this week its polytechnic became a university.

Today Nissan is scrapping its regular Saturday morning overtime, and those shops staying open expect hardly a customer.

**Up for the cup**



# Dewhurst to shed up to 1,500 jobs

By Gary Mead, Marketing Correspondent

DEWHURST, which runs the UK's biggest chain of butchers shops, confirmed yesterday that it is to close up to 600 of its 1,006 high-street outlets over the next 18 months, with *the loss of up to 1,500 jobs.*

Dewhurst is a subsidiary of Union International, which handles the food businesses of the privately owned Vestey empire.

The Vestey group was recently forced to make substantial provisions on its property portfolio, and some observers regard the decision to slim the Dewhurst chain as partly a response to that. Union International and Vestey declined to comment yesterday.

Mr Mike Carter, marketing *manager* of Dewhurst, said the company planned to sell some of the shops as going concerns and that others would be taken over by current managers. Mr Carter was unable to put a market value on the sale. He added that Dewhurst would review the situation during the next 18 months and, should business pick up, the company might dispose of fewer than the planned 600 units. The company has no plans to introduce franchise arrangements for the shops involved, and Dewhurst does not intend to close en bloc in any particular region or area of the UK.

Dewhurst has been hit by factors including the spread of Sunday trading, the growing strength of large supermarket chains and the recession. According to Verdict, a retail research company, the large grocery chains now account for more than half of all carcass meat and 92 per cent of all bacon, ham, poultry and meat products sold in the UK. Mr Carter denied that a growing tendency towards vegetarianism had dented Dewhurst's market.

The latest government statistics indicate that the number of registered butchers fell by 540 to 13,641 in the year ending April 1991. Thirty years ago Britain had more than 33,000 high-street butchers.

# Civil engineers optimistic on outlook

CIVIL engineering companies are more optimistic about work prospects than at any time during the past two years, according to a survey conducted after last month's election, Andrew Taylor writes.

According to the Federation of Civil Engineering, which surveyed more than 150 construction companies, more are predicting a rise in orders over the next 12 months than are expecting a fall. This is the first time there has been more optimism than pessimism about orders since April 1990, the federation said. But it warned that companies still expected to cut jobs over the next 12 months.

## Swan Hunter pay offer is rejected

HOURLY paid workers at Swan Hunter, the Tyneside shipbuilders, yesterday rejected a two-year pay deal in spite of a recommendation from their shop stewards to accept. The offer consists of three lump-sum payments this year totalling £275, and an inflation-linked pay rise with a 4.5 per cent ceiling in April next year. Talks are expected to be held next week between the management, which has described the offer as final, and union representatives.

## ICI unions meet

UNIONS representing the UK employees of Imperial Chemi*cal Industries' fibres business* met yesterday in London to discuss their growing concern over ICI's policy of divestment.

Union concern was heightened by last month's announcement that ICI is to swap its European fibres operations for the acrylics businesses of Du Pont, the US chemicals group. Du Pont, which is to take on ICI fibres employees as part of the deal, is also paying ICI £250m.

## Welsh site chosen

ORIGINAL Bradford Soap Works, the US soap company, has chosen a site in Wales for its first European manufacturing site. About 65 jobs will be created and the £2.7m project near Chester is backed by a Welsh Office grant.

# BCCI auditor scorns allegation of fraud

By Andrew Jack

PRICE WATERHOUSE, auditors to the collapsed Bank of Credit and Commerce International, yesterday dismissed as "outrageous" an accusation of fraud made on behalf of two Omani depositors with the bank.

Zaiwalla & Co, a London-based firm of solicitors representing the depositors, is applying to the High Court for leave to amend its statement of claim alleging negligence so *that it also includes deceit* in relation to the Price Waterhouse auditing of the BCCI accounts.

But Price Waterhouse said last night: "These charges are absolutely outrageous and have no grounds at all. We have never been fraudulent. If this ever comes to trial we have no doubt we can defend ourselves."

The request is due to be considered before a High Court judge on June 2 at the same time as Price Waterhouse argues that the entire action should be dismissed.

It is brought on behalf of Mohammed Khasruzzaman and Rabha Khasruzzaman, who say they deposited $600,000 in BCCI in London after relying on the 1989 audited accounts of BCCI Holdings (Luxembourg).

The news comes a week after Judge Consuelo Marshall in the central district of California court dismissed a class-action suit filed by US and other BCCI depositors against 77 defendants including Price Waterhouse.

Mr Graham Stacy, the Price Waterhouse partner co-ordinating the firm's BCCI team, said: "We are grateful to the US *court that we can draw breath.* This is a fair result."

However, Mr Bill Lerach, lead counsel to the plaintiffs and a partner with law firm Milberg Weiss, said yesterday he would be acting early next week to "vacate" the judge's opinion.

If that action fails, the plaintiffs will appeal to the ninth circuit court of appeals in San Francisco. That could take up to 18 months, years, but they will request a rapid hearing.

There are three other outstanding legal actions on BCCI. Touche Ross, *liquidators to* BCCI, has served writs against Price Waterhouse and Ernst & Young as far back as 1985.

# CPSA recommends 4.75% pay offer

By Catherine Milton, Labour Staff

MORE than 11,000 Civil Service clerks will receive rises total*ling about* 11 per cent if they follow the CPSA union's recommendation to accept the government's shake-up of Whitehall pay.

The basic offer, worth 4.75 per cent on the pay bill for 175,000 staff, means that for the first time civil servants will not receive automatic annual rises related to long service. Rises above the cost of living will depend on performance.

Under existing Civil Service pay rules the settlement must be at least 4.5 per cent this year. The offer means all clerks will receive a 4.25 per cent cost-of-living award from April 1 this year. About 6,000 staff on the main clerical grade would get 5.45 per cent.

The offer also extends the scope for government departments and agencies to opt out of centralised pay bargaining. It lays down a procedure for pay and grading to opted-out departments and agencies. Under the procedure unions must be consulted at national level.

The moderate CPSA union, which represents junior civil servants, is recommending members accept the offer. A Militant-supporting group within the union will urge *members to reject the deal.*

Last week leaders of the NUCPS union, which represents middle-ranking civil servants, said it would recommend members reject a similar offer worth 4.5 per cent.

● The Union of Communica*tion Workers is recommending* 12,500 Post Office counter and clerical staff accept an offer from management of a 4.25 per cent increase in basic pay backdated to April 1. The offer is worth a net 4 per cent because some allowances are not being increased this year.

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# Chill winds in bi-polar west

HISTORY, far from being over, remains an instructive, though potentially misleading guide to the future, be it of nations, politicians, or stocks and shares. Last week's riots in Los Angeles, a product of America's past, suggest the US version of liberal capitalism possesses serious flaws; while Germany's unexpected descent into division indicates the difficulty of creating a new nation after the unexpected unification. But such history-making events will also determine more mundane futures: the careers of politicians, such as Mr Bush and Mr Kohl, and the returns for small investors.

Whether or not the US and Germany eventually converge on the same capitalist model, the short-term economic prospects for the west's two largest countries look very different. In the US, it now seems that a sustainable economic recovery is under way; with the nation nervous and the election coming, the Federal Reserve will do everything it can to ensure there is no triple-dip. But Germany looks to be edging nearer to recession. This would spell danger for politicians and investors across Europe, since the Bundesbank and the government, whether by omission or commission, now determine short-term prospects across the continent.

Wall Street certainly believes the US recovery is under way. The market's price-earnings ratio remains high by historical standards; and in real terms the market is fast approaching its peak last reached before the 1987 crash. Yesterday's news provide grounds for optimism: non-farm employment rose by twice as much as expected, and the unemployment rate fell to 7.2 per cent.

Yet suspicion remains that Wall Street is running ahead of itself. This modest improvement in hiring prospects, and other indicators in the manufacturing, retailing and housing sectors, suggest only a modest recovery, by past standards. That the US stock market faltered yesterday, once the employment data signalled that another interest rate cut was unlikely, suggests that low returns on cash, rather than expectations of a profits surge, are supporting equities.

## Higher inflation

Neither low US interest rates, nor the current US bull market, will last forever. The recent rise in bond yields suggests more cautious investors are already nervous about inflation. The US remains, as always, a country for which growth now is more important than the risk of higher inflation later.

Yet historical valuations, while relevant for the US, are more dangerous when applied to the UK equity market. Britain, too, has tended to be a growth-seeking society. But hitching sterling, and therefore the UK inflation rate, to the world's most inflation-wary country – Germany – implies a very different future.

The UK's stock market culture appears unconvinced about the costs of Britain's new regime. The FT-SE has risen by 13 per cent since the UK general election, reaching a new nominal high this week. Students of the past suggest the UK market rally has further to go: equity yields are still low compared to bond yields, while, in real terms, share prices are low compared to the peaks of 1989 and 1987.

## Pallid recovery

But whence will these expected future profits come? The economic recovery looks, at best, pallid; last week's interest rate cut, while welcome, leave short-term real interest at chokingly high levels; and the ERM leaves little room for further easing.

The European interest rate floor now looks set to remain about 10 per cent into 1993: the Bundesbank's determination to keep its head, while all around are losing theirs, will see to that. The German government's capitulation in the face of a comparatively civilised strike confirms its weakness. The engineering employers are unlikely to be so malleable in the face of similarly high union demands, but IG Metall will test their mettle.

A further German interest rate rise looks as likely as not. It would provide a test of whether Germany has been knocked from pole position within the ERM. If France proves able to hold this week's modest cut, the answer may be yes – temporarily. But recent history does not bode well: the last French bid for leadership ended miserably last autumn. The luxury of wide bands gives the UK a better chance; but three-month interest rates are already discounting a rise in UK rates.

The deeper question, which will certainly not be on the official agenda at this weekend's meeting of EC finance ministers, is whether the ERM, at least in its current hardened form, would survive a rise in German rates. This seems a strange moment for Sweden to be trying to join. Some kind and battle-weary finance minister should take the Swedes aside.

A less rigid ERM would also test whether Mr Major's government does mark a real change in Britain's post-war economic history. If low and stable inflation is to be Britain's future, then an independent and reconstituted Bank of England would be the best signal of his resolve. If not, then search out those historical yield ratios. The UK could yet revert to type.

# Tough choices now kitty is bare

## The German people are resisting the costs of reunification, writes **Quentin Peel**

The sight of rotting garbage piling up in normally immaculate marketplaces, of empty trams, cancelled trains and silent airports, has done more to worry the world about the state of Germany than a barrage of budget deficit statistics.

Throw in the rise of right-wing parties in the polls, the palpable confusion in the heart of the ruling coalition, left-wing riots on the streets of Berlin, and the apparent collapse of government resistance to trade union pressure in the latest public sector strike, and it all adds up to an image of a Germany in serious crisis.

From the inside, it does not look so catastrophic.

To be sure, there is a malaise in the land. In a country which has become used to steadily rising material well-being, there is a gloomy conviction that it cannot go on for ever. There is also a dawning awareness of the challenge ahead of uniting a country divided not just ideologically but psychologically for 40 years. But it is not yet a crisis.

Take the public sector strike, 11 days of severe disruption to the life of ordinary citizens, the first such stoppage in 18 years, and the worst in the public sector since the war. It may have caused consternation to the outside world, but ordinary Germans took it in their stride. It was a thorough inconvenience to be without trams and buses, without garbage collection and with erratic mail services. The overwhelming response was to get on with the job as best one could. There were very few incidents of picket-line violence. There was a surprising degree of public sympathy for the strikers. Bicycle shops and car hire companies did a roaring trade.

"In such a situation, the Germans have proved far more relaxed than in the old days," says Mr Jochen Thies, editor of Europa Archiv, a foreign policy magazine. "In the 1950s and 1960s it would have been much more traumatic. The fact that we were able to handle a strike of almost two weeks is a sign of being very normal. We were not crying for the state to intervene, as we would have in the past."

As for the 5.4 per cent strike settlement, which comes against a background of doom-laden warnings of rising inflation, bankrupt budgets, and which stands as a red rag to the Bundesbank to hike its interest rates once more, it is all being taken with remarkable equanimity in the finance houses of Frankfurt.

"Naturally the deal is too high in terms of what we can afford overall, in the economy and for the public purse," says Mr Jürgen Pfister, head of economic research at Commerzbank. "But look at last year, when it was 7 per cent. It would have been naive to expect that after that we could get it down to 4. Even if 5.4 is too high, it is not so bad in those terms."

He adds: "The stock market is not bothered. Investors discounted the strike. People are still looking a bit anxiously at the Bundesbank. The commercial banks have put their own rates up and put a squeeze on credit. If it were just a question of prices, wages and the exchange rate, it would be five to one against any interest rate increase. The only negative sign is the money supply."

Last week, Mr Helmut Schlesinger, president of the Bundesbank, sought to discourage the "almost daily debate and discussion of the last and next decision of the central bank; monetary policy is in our view fundamentally a medium and long-term business". He gave no hint of any intention to increase rates but he did warn that, with money supply growth running at an annual rate of 8 per cent in the first quarter, it was "too early for any monetary all-clear signal".

This gives little encouragement to other European governments which are seeking to cut their own interest rates to stimulate growth. The unruffled response in Frankfurt was expressed by Mr Hans-Helmut Kotz at the Deutsche Girozentrale. "The strike was obviously unnecessary," he says. "The end result could have been agreed with less damage. But there is no serious economic damage, and the figure is exactly what we have already written into our spreadsheets: around 5.5 to 6 per cent. It is still a significant slowdown on last year."

And yet there is a mood of growing unease in the country, a fear of economic recession, a disaffection with the political establishment, and a rising protest vote in the polls for the fringe groups like the radical right and the Greens.

Yesterday's poll by the Allensbach opinion research institute revealed that the numbers showing "anxiety" about the state of affairs in the country have risen sharply in the past two months – to 74 per cent in the west, and 80 per cent in the east. At the time of unification, in October 1990, the comparable figures were below 40 per cent in the west, and below 50 in the east.

As for the main political parties, they are also almost uniformly on the slide: Chancellor Helmut Kohl's Christian Democrats (CDU) and the Bavarian Christian Social Union (CSU) are down from 36.6 to 32.2 per cent. The opposition Social Democrats (SPD) are scarcely better on 33.9 per cent, and the Free Democrats (FDP), junior partner in the coalition, have slipped from 12 to 11.6 per cent.

In contrast, the right-wing Republicans are up from 4.6 to 8.5 per cent, and the Greens from 10.1 to 10.6 per cent. Both would easily win seats in a future parliament.

So what is up? It all comes back to the traumatic process of unification. The euphoria of those days when the Berlin Wall came down has worn off, and only the hangover remains. The trouble was that the German people were persuaded – at least in the west – that they would not have a hangover. They were told by Mr Kohl that it could be done for free. And now they are bitter that they are beginning to pay a real price in the form of higher taxes, higher prices and lower pay rises.

Reunification requires such financial sacrifice, but also change in ingrained thinking. Old assumptions die hard.

Last week a middle-ranking civil servant gazed morosely at his lunchtime asparagus, and complained about his pay. "If the government is only prepared to pay 4.8 per cent to higher officials, that means I am going to get practically nothing above the rate of inflation," he declared. His unstated assumption was that, whatever the state of the budget or the national economy, he deserved a real pay rise above inflation every year.

The strike tells the same story. The conviction of the trade unions is that only their members – the little people – are paying the cost of unification. They point to the string of record profits recorded last year by almost all the big banks and manufacturers, as they reaped the windfall of new (subsidy-financed) spending in the east.

Chancellor Kohl has simply failed to get it across to the great mass of the population that the kitty is bare. It is partly his fault, because he promised unification could be accomplished without tax increases. It is partly because nobody seems to want to hear.

Mr Theo Waigel, the finance minister, insists that the central government deficit can be brought down from DM45bn (£15.3bn) this year to DM25bn in 1995. His colleague Mr Jürgen Möllemann, the economics minister, has suggested the deficit could equally rise to DM55bn over the same period.

The public sector strike settlement in itself may not be too disastrous. It will add DM16bn to total public sector spending, including the postal system and railways. The cost to the central government alone will be DM2.3bn. That is close enough to what was allowed for.

What is more serious is what comes next. Industry is next in line for a bruising battle, with IG Metall, the mighty engineering trade union, IG Bau, the construction workers, and IG Druck, the printers, all calling warning strikes or working to rule in support of their pay claims. The government's 5.4 per cent (or 5.1 per cent if it is averaged over the full 12 months) will almost inevitably become the floor below which no new deal can be done.

The public sector pay deal "ignores the economic realities and the financial constraints on the public purse", the German industry federation (BDI) said yesterday. "It is damaging to the whole economy, and can in no way be a yardstick for the coming wage agreements in the industrial sector." That would appear a forlorn hope.

The other concern lies at the heart of government – central government, the states, even the communes. There is a doubt that they have the political will to bring their combined deficits under control.

The truth is that for years Germany has succeeded in buying itself the consensus on which its coalition governments, and its social and industrial harmony, depends.

"We have thrown a lot of money at problems in the last two years alone," says Mr Thomas Kielinger, editor of the Rheinische Merkur, a weekly newspaper. "There was the Gulf war, unification, eastern Europe. We now have to choose options and set priorities. That will require a new awakening and this society will have to review its agenda.

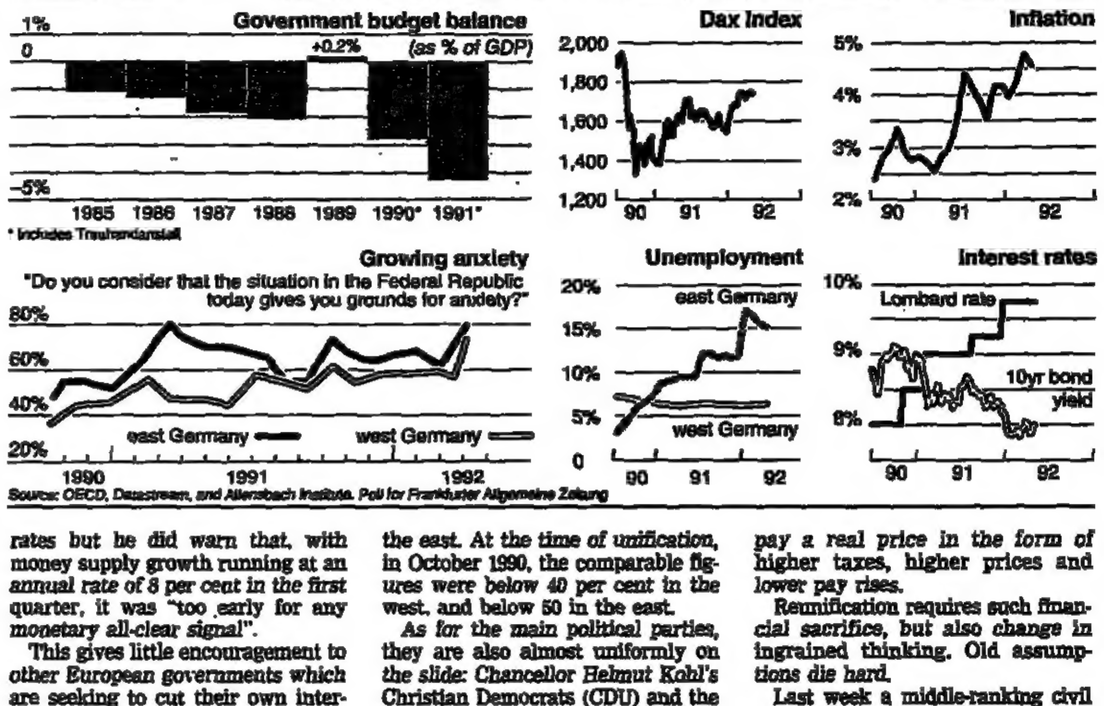
"That is a tall order to ask of people used to having money left over to throw at problems. They feel threatened by the advent of the need to make choices."

Given that challenge, clear leadership is required. That is where Chancellor Kohl, with his instinctive commitment to the consensual school of coalition government, is under fire. The Allensbach poll shows a leap from 14 per cent to 22 per cent in the last month of those saying government is too weak.

Yet Germans are torn on the issue. Would they have preferred a government which stood up to the unions, and smashed them, like Mrs Margaret Thatcher did in Britain? "No, we had enough of that sort of leadership with Hitler," one senior diplomat said on Thursday after the settlement. "Chancellor Kohl hasn't come out of this too badly."

That view is common enough in Germany, which means the country has probably got the government it deserves and wants: a muddled coalition which does not threaten anyone. It is the mentality revealed by a government negotiator as he emerged from Thursday's pay talks: "We are damned to agreement."

**The German malaise**



Source: OECD, Datastream, and Allensbach Institute. Poll for Frankfurter Allgemeine Zeitung

# Comrades in the classroom struggle

## **Andrew Adonis** on the two Tories behind Wandsworth's schools revolution

The backstreets of Wandsworth in south-west London are the last place to seek revolutionaries. But in Mr Edward Lister and Mr Donald Naismith, the Tory borough's chairman of education and his chief officer, it has the archetypal subversive duo: passionate in their cause, determined to confound received wisdom, with a blueprint – in both senses – for every ill. Their joint cause is selective education; the cursed creed, comprehensivisation. And the blueprint? Smaller, specialised, state schools selecting their pupils and competing for custom.

The plan is raising a storm in the part-deprived, part-gentrified borough, an ill-fitting amalgam of Battersea, Tooting and Putney. Last week came the latest instalment. Mr Naismith presented a paper to Mr Lister's education committee, acknowledging the opposition of head teachers to the interviewing of prospective pupils and the adoption of criteria (besides where they live) for selection, only to conclude: "The heavy reliance on the concept of equality of opportunity in educational policy should not, perhaps, go unchallenged. It may be argued that too limited an interpretation has traditionally been placed on 'equality' and too narrow a view taken of 'opportunity', and that the reality facing parents and pupils has fallen well short of the ideal the phrase represents."

A page on, in Mr Lister's recommendation, comes the sting. A plan is to be put out to consultation for the introduction of formal selection into the admissions procedure of the three remaining comprehensives under Wandsworth's control. (The borough's eight other state-funded schools – city technology colleges, church and grant-maintained schools – already select or are beyond the council's reach). "Matching", not "selection", is the catchword: "to provide schools which offer different value-oriented education and training to suit the varied needs of pupils . . . schools must be better *matched* to pupils."

Champions of 'choice': Donald Naismith, left, and Edward Lister

How they are to be so "matched" is unclear. By ability, parental commitment, or vocation – and if by the first two, what about the failures? "Choice centres" for parents of such children is Mr Lister's response. The extent of the "choice" open to their customers is left to the imagination.

Whatever you think of the ideas, though, you have to admire the duo's gusto. Rough attacks on community comprehensives, the social democratic vision for achieving true equality of opportunity, may still lack respectability. Yet Mr Lister and Mr Naismith have the courage to preach and proselytise what most of the chattering classes just whisper – before, more often than not, packing their offspring off to private schools, a world apart from most pupils and parents at the typical inner-city comp.

Mr Naismith, 54, a career south London education officer with the prime ministerial ear, is quite open about the end product he envisages. "We want a mixed economy in education," he says. "We have never argued that all schools should be selective, but if the only choice in an area is six neighbourhood comprehensives, the local authority is failing in its duty." The product of a "no-nonsense" grammar school in Bradford, Mr Naismith was a 1960s fan of Lord Boyle, the Tory more responsible than any other for the comprehensive experiment: "Nowadays I am sure he would have seen the national curriculum as the best road to opportunity for all."

Standards are Mr Naismith's refrain, and he has the facts at his fingertips. In 1990, when Wandsworth took over its schools from the Inner London Education Authority, four in 10 of the borough's school-age population were educated outside its education system – half of them in the independent sector, half migrating west, many to leafy Richmond. Now it is below three in 10. Of those 16-year-olds attending the borough's schools, the proportion leaving without any – any – GCSE passes was 19.3 per cent in 1989; now it is 12.6 per cent, against an inner-London average of 17.9 per cent and a national average of 7.8 per cent. Comparisons with neighbouring Lambeth are stark. "We have a lot of catching up to do," he adds, "but on such figures we should be judged – and rightly so."

Mr Lister, 42, is tipped to win today's contest for the leadership of Wandsworth council. Like his predecessor, Sir Paul Beresford, he has an eye on higher things – but compromise is not a word wont to fall from his lips, and his prospects may depend on the selective creed finding a place in Majorism.

Mr Lister's political past extends far beyond education. Over the past decade he has chaired most of Wandsworth's leading service committees, and shares Mr Naismith's grasp of figures to justify the borough's "flagship" status. Contracting out – "saved us £26m over five years". Libraries – "two libraries out of nine have closed but the book stock and average issues per head are far higher than Lambeth's". Housing – "17,000 of our 40,000 units sold in the last decade, paying for a capital programme without rival in London".

Underlying it is a firm commitment to local government. Tendering and opting-out will not, *pace* Nicholas Ridley, result in Wandsworth council meeting just once a year to hand out contracts. "It will give us time for our real job: monitoring standards, encouraging diversity and, yes, picking up the pieces when things go wrong."

"The brighter borough" is Wandsworth's slogan. "Things *are* brighter," says Mr Lister in earnest. Should he become captain of the flagship today, he will doubtless place a spotlight on a larger agenda for reform.

The UK pensions industry accepts the need for change – with reservations, says **Norma Cohen**

# Reforms that err on the safe side

The ghost of Robert Maxwell looms large over the UK pensions industry. At the annual conference of the industry's trade association in Glasgow last week, its members spoke frequently of the shockwaves caused by the disappearance of more than £400m from pension funds he controlled. They are steeling themselves for a radical overhaul of pension laws now seen as inevitable.

Some members of the National Association of Pension Funds believe that change is desirable. "There is a general recognition that reform is inevitable," said Mr Brian McMahon, Napf chairman and group benefits director at BET, the industrial conglomerate.

But among many delegates the desire for reform is more cosmetic than real. While Napf leaders are calling for the industry to co-operate in drafting new laws, scheme administrators are hoping that existing laws can merely be adjusted. They are seeking an overall structure which will reassure employees of the safety of their pensions while doing little to change the day-to-day operations of the funds.

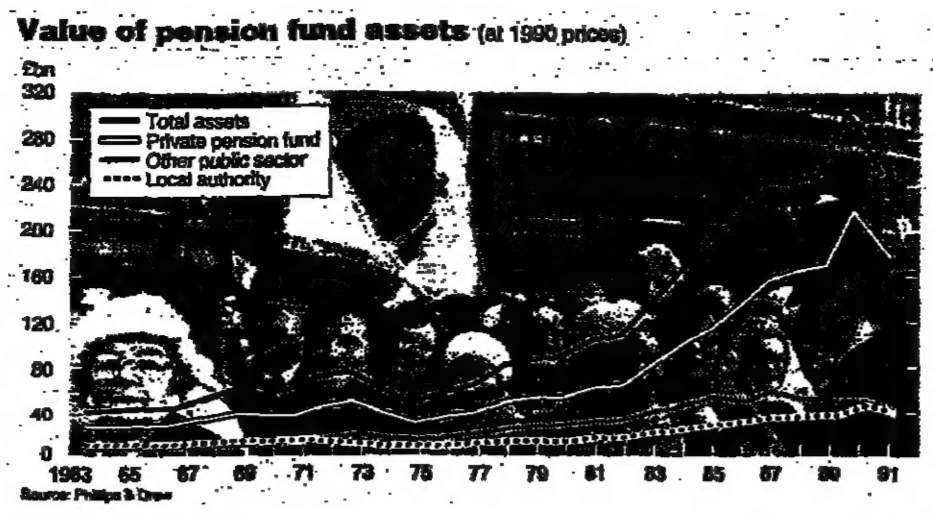
"There is a danger that mistakes will be made," said Mr David Morgan, pensions manager at Nestlé Rowntree, who describes himself as an advocate of reform. "If you improve the existing system by manipulating the edges, you have fewer chances of getting it wrong."

The spectre of Mr Maxwell, delegates said, has injected a new sense of urgency into an industry which has consistently rejected calls for reform. The spotlight has made some of its members uncomforable. Several delegates expressed shock at seeing their habitually chubby annual conference displayed on national television news programmes.

Mr McMahon said the industry is clearly taking itself more seriously. Unlike previous years, for instance, the presentation of technical papers has been heavily attended by delegates. "Ordinarily, these sessions are the ones people use to go out and get a cup of coffee," he said.

The sea change has been prompted by mounting public anxiety over the safety of pension fund assets. "I think that MPs were universally shocked at how easily Robert Maxwell got away with it," said Mr Stewart Ritchie, pensions director at Scottish Equitable. "Now that change is inevitable, the challenge for the industry is to be constructive. Over the past 10 to 15 years, this industry has refused to realise that change is necessary."

**Value of pension fund assets** (at 1990 prices)



Source: Phillips & Drew

Since Mr Maxwell disappeared overboard from his yacht, the safety of pension funds has climbed rapidly up the political agenda. A cross-party parliamentary select committee on social security, which held hearings into the Maxwell affair, has suggested wide-ranging changes to pension laws, including the scrapping of trust law, which governs pension schemes. The committee has asked for a top-level committee of inquiry to be set up to study the matter further. Its formation is expected to be announced shortly by the Department of Social Security.

The appropriateness of trust law as the governing force behind pension schemes is a central issue that the committee will scrutinise. Trust law was developed in the Middle Ages to help manage the assets of knights on crusades. Under it, the administration of pension funds is left to the trustees who often represent the companies which sponsor the schemes.

Mr McMahon has listed three main areas likely to be the focus of legislation:

- Who should control pension schemes? Should pension fund boards be required to balance representation between employer and member representatives?
- What safeguards should be introduced to protect assets? Beyond selecting a competent investment manager, what steps should trustees be required to take to protect their holdings?
- Should there be a compensation scheme for members and, if so, what sort of minimum standards should funds have to meet to participate?

In addition, Mr McMahon said, MPs may also have to come to grips with the thorny question of just who owns pension fund surpluses. While he expressed confidence in the industry's acceptance of reform, it is clear that there will be firm resistance from some quarters.

"I need reform like a hole in the head," said the pensions manager of a leading UK company. While, as a practical matter, reform may not require great changes in the way his fund is administered, the expense of conforming to new regulations may raise costs substantially, he said.

Mr David Trevor, pensions manager for Grand Metropolitan, the food, drinks and leisure group, said proposals for new pension laws, particularly if they restrict employers' access to scheme surpluses, could result in a curtailment of benefits for members.

He said companies which have traditionally assured workers that they will receive pensions of up to two-thirds of their final salary will no longer be able to give that guarantee. Instead, companies may simply designate a lump sum that each worker will receive on retirement and then leave it to the worker to invest the money to provide an annual income.

In the US the shift to such so-called money-purchase schemes has been blamed on a raft of pensions protection legislation, which companies say has priced final salary plans out of their reach.

But to many Napf members this week, such threats by companies are little more than posturing. Companies fund pension schemes generously because high marginal tax rates make it advantageous for them to do so, said Mr John Cunliffe, a pensions lawyer and partner at McKenna & Company. In addition, a company which does not offer competitive benefits cannot attract and retain qualified employees.

That view was echoed by several delegates who act as consultants to the pensions industry. Mr Alan Jenkinson, policy director at the consulting actuaries Noble Lowndes, described talk of cutting contributions as "propaganda". However, he said reform could hasten the shift of UK schemes to money-purchase plans.

A further contentious issue is the creation of a nationwide compensation fund for pension scheme members who are the victims of failed pension plans. While there is widespread support for such a scheme, some delegates were concerned that well-run schemes will be forced to bail out badly managed ones. Mr Steven Mingle, partner at actuaries Bacon & Woodrow, said it would be difficult to extend compensation arrangements to schemes with insufficient assets to cover all liabilities were the scheme to be wound up.

At the heart of the conference the industry was grappling with what sort of law is needed to reassure pension fund members that their funds are safe, without making them prohibitively expensive for employers to operate. No law has yet been proposed but for the first time there has been a broad recognition of the need for a new framework. The aim is to prevent a scandal on the scale of Maxwell happening again.

# Getting up from the canvas

**Antony Thorncroft** on a recovery in the market for contemporary art

Christie's sale of contemporary art in New York on Tuesday evening was a tense affair. The market had been in free fall for almost three years. The value of even major works by well respected artists had virtually halved. Yet Christie's was offering an important composition by Andy Warhol, "210 Coca-Cola Bottles", a painting depicting seven rows of bottles stencilled on to a silkscreen, with a hefty estimate of up to $2.8m.

Warhol's prices have fluctuated markedly since his death in 1987. And although its early date, 1962, made the work important in art historical terms, the general feeling was that Christie's, and the vendor, Martin Blinder, whose recession-hit company sells art in shopping malls, had over-reached themselves.

In the event, bidding was brisk, with four potential buyers. The work was finally sold to the Zurich dealer Thomas Ammann for $2m, well below estimates but still a weighty price for Warhol, whose long term reputation is far from established. Christie's gamble had paid off and the market for contemporary art, the most fickle sector of the arts trade, had given shown clear signs of recovery.

"I am more than fairly pleased," said Christie's expert Diane Upright after the New York sale. Along with her rival Lucy Mitchell-Innes at Sotheby's she had succeeded during the week in re-establishing a solidly based market in contemporary art.

Prices may be considerably reduced on 1990 levels but at least there were buyers, mainly American and European private collectors, for the select lots which had been allowed to appear at the rostrum.

By concentrating on paintings that had not been on offer for many years, that were in good condition and carrying low reserves, Christie's managed to sell 82 per cent by value of its 67 lots, for a total of $11.26m. Sotheby's received $12.3m from 58 lots, and sold 78 per cent of its works.

Both salerooms were lucky as well as bold. They each had an important seller keen to dispose of desirable paintings at low prices. Sotheby's were marketing a series of works owned by Charles Saatchi, co-founder of Saatchi & Saatchi, the advertising group, and the dominant force in the contemporary art market for over a decade. He is currently jettisoning important works by artists he helped to popularise in the early 1980s so as to acquire the art of a later generation as well as the occasional modern masterpiece. Saatchi can afford to accept low prices since he bought the works for very modest sums.

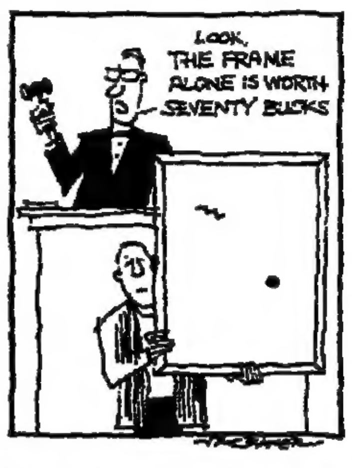
His imprimatur ensured that "Bob's World", an early "plate" composition (in which broken plates are stuck to the canvas to create a greater physical impact) by the controversial Julian Schnabel, sold for $319,000. Other Saatchi paintings to sell included one of Cy Twombly's many "Untitled" canvases, bought by Saatchi's dealer Larry Gagosian for $1.65m, and $627,000 for a pastiche of the Old Master Vermeer by the British artist Malcolm Morley.

This was an auction record for Morley and underlined the growing internationalism in the market for contemporary art. Traditionally, Americans bought the abstract expressionism of the post-war New York artists; Germans the work of their painters like Baselitz, Kiefer, and Richter; and the French stuck with the Paris School. Now artists can cross borders much more easily. Significantly, this week's sales brought the first purchases from Taiwan, although the Japanese dealers, who entered this market at its 1989 peak, were conspicuously absent.

Christie's sale centred on the works of Frederik Roos, the Swedish financier who established his collection during the 1980's and who bought widely from artists of various nationalities. artists of Roos died last year, aged 40 and loaded with debt, and Christie's has the challenge of disposing of his collection. It has the advantage of negotiating with a deceased estate, which helped it force low estimates and reserves on the art. But even so, Christie's was amazed at its success in marketing 188 of the best Roos acquisitions.

Virtually all were sold, for a total of $7.8m. Work by English sculptors patronised by Roos, such as Tony Cragg and Barry Flanagan, sold for auction record prices – $99,000 for a Cragg composition of three giant bronze canisters, and $93,500 for a Flanagan bronze of one hare balancing another on its nose.

Internationalism is not completely established – Sotheby's failed to sell an important nude portrait by Lucian Freud, "Night Interior", offered by Saatchi, probably because the estimate of $500,000 was excessive for an artist not well known in the US – but it is the best hope for the future of the market.



For contemporary art still faces problems. There was very little buying this week by dealers, who are sitting on enormous bank overdrafts in unvisited galleries with vaults full of over-priced pictures. And the main reason that the auctions were successful was that Sotheby's and Christie's had fixed reserves even lower than those at last November's auctions.

The market is in convalescence but far from buoyant. It was noticeable that neither owners nor auction houses were willing to risk the great icons of modern art – works by Jasper Johns or Jackson Pollock, de Kooning or Lichtenstein, were not on offer this week. Diane Upright reckons that the top price that anyone is currently prepared to pay for a painting by a modern master is $10m. Three years ago a de Kooning, "Interchange", sold for $20.678m to a Japanese buyer and a Jasper Johns, "False Start", changed hands for $17m.

As the international economy moves out of recession, dealers and collectors expect that the contemporary art market should continue to recover from its sickbed. In any event, it will not lose its ability to shock.

The artist in keenest demand, whose prices have continued to rise during the recession, is Robert Gober. His speciality is making creations of urinals, beds, and, in particular, kitchen sinks. One of his beds, composed of enamel, wood, cotton and wool, soared above its estimate on Tuesday to make a record $180,000 – but also to create new doubts about the aesthetic value of contemporary art.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Exercising right to mourn comrades

*From Lord Mackie.*

Sir, With reference to the Mayor of Cologne's article, "Bomber Harris: 'a tactless choice'" (May 2), I have already stated, and repeat, that the statue of Sir Arthur Harris is a memorial to 55,000 of our dead comrades and their commander, erected in our own Royal Air Force church precincts, in our own country, alongside a memorial to the achievements of colleagues in Fighter Command.

It is a belated tribute to the dead of a prolonged and bitter battle, immensely important to the ground forces which finally defeated the Germany of Hitler and is intended in part to redress the official neglect of their achievement.

The publicity has all come from German sources and the effort to portray Sir Arthur Harris as a war criminal is deeply resented. Churchill, Roosevelt and other allied leaders ordered the strike at the heart of the Third Reich and knew its value to the ultimate defeat of that monstrous regime.

The surviving members of Bomber Command deeply regret the loss of civilian life, unfortunately unavoidable in a desperate combat, but simply assert our right to mourn and commemorate our dead comrades.

Mackie,
*House of Lords,*
*London SW1*

## A venerable addition

*From Mr John Carnegie.*

Sir, Surely the new government department headed by David Mellor should add to its portfolio the House (museum) of Lords. The venerable House fits the "F" word perfectly: both "F – ha ha" and "F – peculiar".

John Carnegie,
*San José,*
*Costa Rica*

## The only route to an effective opposition

*From Mr Robert Nott.*

Sir, Your leader, "The challenge for the Labour party" (April 30), was most perceptive.

Labour said that it no longer worshipped the Clause Four commitment to public ownership, Campaign for Nuclear Disarmament and the unions. It lost because it did not get rid of the men who all their lives had worshipped at those shrines. Those have now become, and are seen to be, yesterday's men.

You suggest that if Mr John Smith be elected, his first job will be to demonise the party. Can he? He is not only a union sponsored MP, but has made it clear, by letting it be known almost before the leadership campaign began, that he had strong union support – and so was a yesterday's man.

I am a Conservative worker. I hope Mr Brian Gould will win, for every government needs an effective opposition. Mr Gould might produce that. Mr Smith cannot.

Robert Nott,
*Englefield Cottage,*
*Hurtmore,*
*Godalming,*
*Surrey GU7 2RA*

## Best as well as worst

*From Mr Osman Streater.*

Sir, Cato the Elder ended every speech with the demand that Carthage must be destroyed. Vanessa Houlder is becoming almost as repetitive in her gloomy prognostications about Docklands (The property market, May 8). The difference is that, unlike Ms Houlder, Cato did not use selective quotations.

She correctly quotes the ADT architectural guide as saying that "London's Docklands contains one of the worst collections of late 20th century buildings to be seen anywhere in the world". But she omits the counter-balance – the guide also states: "And yet it is to Docklands that you must go to find some of the best British architecture of the 1980s. The gems are few, but, compared with anywhere else in the UK today, the concentration is high and the quality rare."

One would expect Financial Times writers to be aware of Docklands architectural successes. After all, your own print works in East India Dock Road has won eight architectural awards and commendations, and is described in the ADT guide as "beyond doubt, the finest building in Docklands to date".

Osman Streater,
*Savile Club,*
*69 Brook Street,*
*London W1Y 2ER*

## Mistaken prescription for BT prices

*From J B K Rickford.*

Sir, Mr Matson, the chairman of National TeleCable, argues (Letters, May 6) that BT should reduce its prices but would not do so until forced by competition. In fact, since 1984 we have, under rules agreed with Oftel, reduced prices by more than 25 per cent on average, in real terms, for our main services. Last year, for example, we cut international call charges by 10 per cent. Oftel's current RPI-6.25 per cent price cap will require real and nominal price cuts again this year.

Mr Matson describes as "beguiling but fallacious" our argument that competition should operate freely in the telecommunications market without rules designed to favour one player at the expense of another. His proposal appears to be for BT to make a one-off price reduction and then to freeze its prices regardless of economics until it has lost a substantial share of "the relevant market" – perhaps the sector in which cable businesses currently operate with statutory TV monopolies.

Mr Matson would apparently like the government regulator to serve him a share of the telecommunication market on a plate. That is not competition. His prescription for achieving that result is also mistaken. BT's prices overall are no higher than necessary to cover our cost of capital at the market rate. If we are required to reduce them, Mr Matson and our other competitors will have to face a level of BT prices which is less than economic. Compelling BT to charge less than is sufficient to cover our cost of capital will prevent competitors from establishing themselves.

So Mr Matson does not offer convincing arguments for changing the policy of open competition to which the government is committed.

J B K Rickford,
*director of governmental relations,*
*BT,*
*BT Centre,*
*81 Newgate Street,*
*London EC1A 7AJ*

## A second opinion?

*From Dr Graham Hallett.*

Sir, For your TV correspondent to denounce the BBC ("Arts: Today's Television", May 6) for embracing environmentalism without examining the evidence is a bit rich for someone who argues that heterosexuals cannot catch Aids, that there is no evidence of damage to the ozone layer, etc.

Should not the distinguished science correspondent comment on Mr Dunkley's scientific asides – at least when they are potentially lethal?

Graham Hallett,
*10 Coed-yr-Ynn,*
*Rhiwbina, Cardiff CF4 6PH*

## Rent review structure 'nonsense' economically harmful

*From Mr Keith Hatter.*

Sir, David Simpson's letter, "Value of a tenant in US" (April 28), overlooks an essential point.

Upon assignment, the new tenant must satisfy the landlord that its financial strength is adequate to meet the obligations under the lease. Why not then release the original tenant from further obligation relating to premises in which he no longer has any commercial interest?

The refusal to do so is only one of many ways in which the UK property industry, by seeking to please investing institutions, harms the prospects of its wealth-generating customers and thus of the economy as a whole.

Why are tenants asked to take on leases of up to 25 years when most cannot realistically plan more than five years ahead? How many businesses would have survived the recession had they been able to downsize their property requirements in a much shorter time scale?

The rent review structure is a nonsense. In boom times, rents rocket as new tenants speculate on future property and agree record rental levels. These are then imposed on other nearby tenants as evidence of the current market.

Yet when market rents fall, those of existing leases cannot because of the upward-only structure of the review. The theoretical basis of review – willing landlord, willing tenant and vacant building – is exactly that.

And when market rents fall, why can a tenant not chose to sub-let his building at the new rent if he is willing to fund the difference? Because the structure of his lease will prevent it in order that the value of the investment is not damaged. It is time for tenants to wield the power they hold and for major occupiers to make a stand.

It is also time for a service which seeks only to represent the interests of wealth-generating tenants. For it is not only landlords who will resist the changes needed. The larger commercial property agents will not risk upsetting their land-owning clients while tenants meekly accept commercial absurdities.

Keith Hatter,
*managing director,*
*Private Access Storage,*
*3 Arnhem Road,*
*Newbury, Berkshire RG14 5RU*

# Hongkong Bank won't give Midland up 'lightly'

By David Barchard

HONGKONG BANK yesterday said that it would remain interested in buying Midland Bank – even if its present bid failed.

Asked what would happen if the sale of Midland was delayed until the autumn by the referral to the Monopolies and Mergers Commission of Lloyds Bank's rival bid, Mr Bernard Asher, Hongkong Bank executive director, said: "We have a long and fulfilling relationship with Midland Bank going back nearly five years.

"It is not something we would give up lightly because the logic is so strong and good".

Mr Asher was speaking as Hongkong Bank published the formal documents, stating the full terms for its bid for Midland Bank. Midland's shareholders have until June 30 to decide on the offer which would create a combined banking group with assets of £144.6bn.

The document, mailed to Midland's shareholders, values the bid at £3.4bn and 410p for each Midland share – well above Midland's closing price in London last night of 390p.

THE BATTLE FOR MIDLAND

The proposed Lloyds offer values Midland's shares at 453p.

Hongkong Bank said the merger would make an additional contribution to profits of more than £800m in the first four years and £300m a year by 1996 for the combined banking group.

Mr Asher revealed that Hongkong Bank would make cuts in Midland's 1,900-strong branch network and in its treasury operations, but declined to give any details of possible job losses.

However, around half of the £300m in cost savings which Hongkong Bank hopes to make would come from an expected increase in the income of the two banks after the merger.

That is much lower than the £700m in savings which Lloyds Bank says its takeover of Midland would produce.

Mr Asher admitted that there was relatively little duplication between the existing operations of Midland, a mainly UK-based bank, and Hongkong Shanghai, a global bank with its main operations in the Asia Pacific region.

He said that Midland would benefit from the introduction of Hongkong Bank's branch administration and banking technology.

Hongkong Bank and Midland have been co-operating in computer technology for nearly five years and it is expected that it would be relatively easy to unify their systems.

Lloyds Bank immediately attacked the Hongkong Bank offer documents saying that, unlike its own offer, they did not promise to create a major new banking group in the UK which could compete vigorously with Barclays and National Westminster.

"Lloyds Bank's proposal would deliver a wider product range and cost savings which will enable substantial improvements in customers services and greater competition in the UK," Lloyds said in a written statement.

Lloyds also emphasised that uncertainties about Hong Kong's economic and political future after the territory returns to China in 1997 made its prospects extremely uncertain.

It is believed to have written to the Office of Fair Trading this week warning that the fundamental issue at stake in the Hongkong Bank merger proposals concerned the possible risk to Midland Bank if things went seriously wrong in Hong Kong after 1997.

See Lex

## £600,000 windfall for chief

Mr Brian Pearse, Midland Bank's chief executive, (above) is likely to enjoy a windfall of more than £600,000 if either Hongkong Bank's or Lloyds' bid for his bank succeeds, it emerged yesterday. Details of Midland directors' share options published by Hongkong as part of its formal offer show that when he joined Midland a year ago, Mr Pearse was given an option to buy 300,000 Midland shares at £2 each any time in the next 10 years. Both bids value Midland's shares at more than £4.

# Lobbying for positions as MPs begin to take an interest

**David Owen** on the likely moves at Westminster

WITH Parliament stumbling back into life and the future of Midland Bank, once the world's largest, lodged firmly in the hands of regulators, the political lobbying process at Westminster is swinging into action.

All three of the main protagonists - Lloyds Bank, Hongkong and Shanghai Banking Corporation and their target Midland - have retained political consultants in addition to a clutch of financial and public relations advisers. The consultants will play a key role in ensuring their clients' messages get through to members of parliament.

But the process cuts both ways, providing parliamentarians with a channel through which to broadcast their concerns to the leading companies.

The direct influence of the average backbencher on government decision-makers might be slight or non-existent. But the recent problems of the Lloyd's insurance market are a good illustration of the impact that a relatively small number of aggrieved MPs can have if they feel they are not getting a fair hearing.

Such is the geographic spread of the businesses involved in the battle for Midland that a large number of MPs are likely to take a serious interest. There can be few in England and Wales who do not have some Midland or Lloyds employees among their constituents. Some are already receiving letters about the possible consequences of any deal.

Early comments suggest that one of Lloyds Bank's toughest tasks will be to set MPs' minds at rest as to the likely effect of its proposals on employment levels and competition.

There is a quite widely held view at Westminster that the degree of competition is already inadequate, especially in corporate banking. A reduction from four to three in the number of clearers is hardly calculated to improve matters.

Hongkong may have to counter claims that the current regulatory procedures give foreign bidders an effective advantage at the expense of British companies. The point was raised yesterday by Mr Keith Hampson, the Conservative MP for Leeds North West and a member of the Commons select committee on trade and industry, in a letter to the Financial Times.

In lobbying terms, it was Lloyds which set the ball rolling some 10 days ago, sending a letter signed by Sir Jeremy Morse, its chairman, to all MPs. He argued that its proposed offer was in the public interest and that the Hongkong Bank proposals did not address "any of the fundamental problems in the UK banking sector". The bank has hired GJW Government Relations as its political lobbyist.

Hongkong, which has retained Lowe Bell Communications as its political adviser, and Midland, which is using Ian Greer Associates, are both expected to write to MPs. Bifu, the banking union, has already done so, sending a dossier to MPs and British Euro MPs arguing that a Lloyds takeover would be harmful to the UK economy.

Next week, the process will take a fresh turn when Conservative backbenchers are expected to have an opportunity to meet senior executives from both Hongkong Bank and Lloyds.

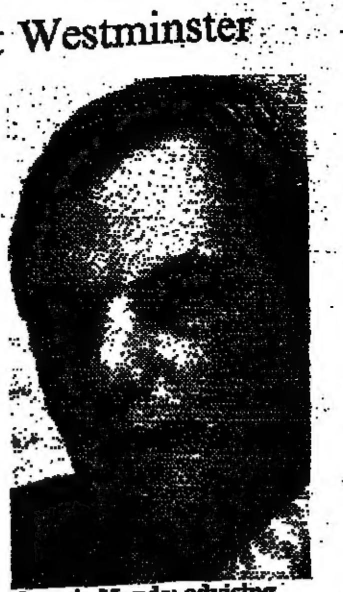
The usual format for such gatherings, which generally last about an hour, is for a brief presentation followed by a question and answer session. Mr Tim Smith, the Conservative MP for Beaconsfield, who served as vice-chairman of the Tory backbench finance committee in the last parliament, played a leading role in arranging the meetings.

If lobbying efforts then proceed according to type, selected MPs can expect to be invited to lunch or dinner to discuss the situation further. Typically, one representative from the client organisation would be present for each MP who attended.

Subsequently, guests displaying a particular interest will often be consulted further by an MP or another individual with close ties to the client. MPs who perform such tasks on behalf of companies or other interested parties are known colloquially as "gophers".

Several MPs have links of one kind or another with the main protagonists and their advisers. But few expect to play a significant role as the contest develops.

Mr Hugh Dykes, the Conservative MP for Harrow East, said he would not get involved unless asked, and that would be unusual. Mr Dykes is a shareholder in Dewe Rogerson, Lloyds' public relations adviser.



Francis Maude: advising William Purves

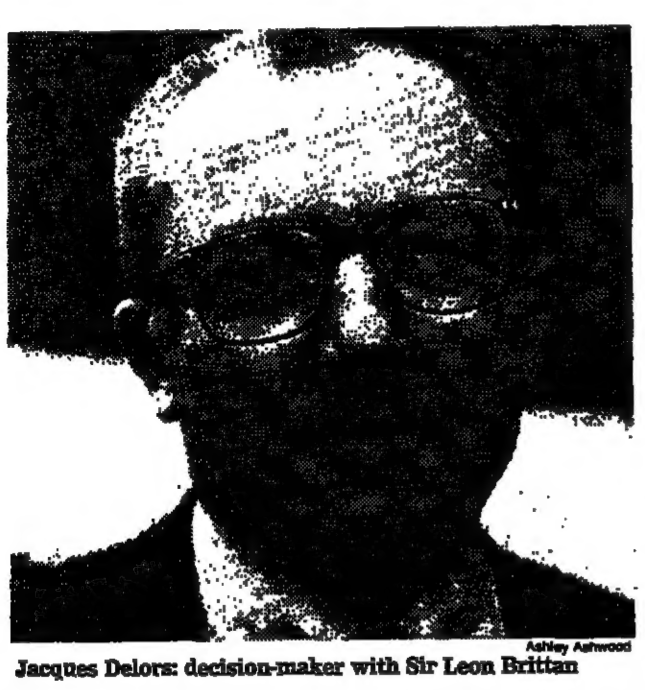
Mr Jeremy Bray, the Labour MP for Motherwell South and Bifu consultant, said that anything he wrote or said on the subject would be in the public domain.

Mr Hampson, who was retained by GJW until last summer and has close political links with Mr Heseltine, has emphasised that he has had no discussions with Lloyds about its proposed offer and has no financial interest in the outcome.

Other MPs with current or former ties include Mr Quentin Davies, the Tory MP for Stamford and Spalding, a director of Dewe Rogerson Consultants and Sir Peter Tapsell (C Lindsey East), who played a significant part in negotiating the purchase of James Capel by Hongkong Bank but no longer has any connection with the stockbroker.

One ex-MP who will be closely involved is Mr Francis Maude, the former Treasury minister who has become an adviser to Mr William Purves, the Hongkong Bank chairman. Mr Maude's appointment was partly at the behest of Mr Alastair Ross Goobey, a former Treasury adviser who recently returned to James Capel.

Mr Stephen Sherbourne, whose career includes spells as both political secretary to Mrs Margaret Thatcher and head of office to Mr Edward Heath, is in charge of the Hongkong account at Lowe Bell.



Ashley Ashwood

Jacques Delors: decision-maker with Sir Leon Brittan

# Brussels consultants wait in the wings for EC inquiry decision

By Andrew Hill in Brussels

TRADITIONAL Westminster-style lobbying of the European Commission is not much use to the Midland bidders and counter-bidders.

Until the later stages of EC investigations, the procedure is governed by strict rules laying out the timetable and conditions of such inquiries and the main decisions are taken by Sir Leon Brittan, the competition commissioner, and Mr Jacques Delors, commission president.

MEPs – heavily lobbied when it comes to votes on EC legislation – have no direct influence over the merger control procedure.

As a result, the banks have not yet used Brussels' myriad public affairs consultancies and lobbyists. Instead, all three have deployed their lawyers to extract information from the commission, and present their case in the dry legal and economic terms which the EC's competition officials understand.

The Hongkong Bank's bid is still in the opening four-week stage of the Brussels inquiry. Sir Leon clarified the situation on Thursday when he said he believed the Hongkong Bank's bid fell under Brussels' jurisdiction, while Lloyds' counter-bid would not.

It is Sir Leon and Mr Delors who will decide after four weeks whether a four-month inquiry should be launched, and only in the latter stages of that process will the potential votes of the 15 other commissioners begin to count.

Last year's investigation into a Franco-Italian bid for de Havilland, the Canadian aircraft maker, was eventually blocked by the commission – its most controversial merger decision to date.

In the final stages of the inquiry, commissioners and their officials were dogged by lobbyists representing all the parties, proving that in a tight corner Brussels consultants can be just as aggressive as their Westminster and Washington counterparts.

# Team completes Herald MBO for £74m

By James Buxton, Scottish Correspondent

A TEAM of managers and editors yesterday completed the £74m management buy-out of the Herald, formerly the Glasgow Herald, one of Scotland's quality newspapers. It was purchased from George Outram, which is owned by Lonrho.

The MBO, which involves funds with a total value of £93.5m, was organised by Robert Fleming, the merchant bank, and is backed by Scottish banks and financial institutions.

It will be welcomed in Scotland as the return to Scottish ownership of a significant formerly Scottish-owned company. Lonrho acquired Outram in 1979 when it bought Scottish & Universal Investments.

In addition to The Herald, Outram publishes the Evening Times, the Glasgow evening paper, and magazines including the Scottish Farmer. The sale does not include The Observer which Lonrho is retaining.

Lonrho is selling Outram to reduce its substantial debt. Recently it sold a number of local newspapers in Scotland for £45m.

Pearson, owner of the Financial Times, had offered £70m for the remainder of Outram, but was outbid by the MBO team and did not wish to get involved in an auction.

The MBO, which has formed a company called Caledonian Newspaper Publishing, was the inspiration of Mr Liam Kane, managing director of George Outram. Its executive directors are Mr Iain Forbes, deputy managing director, Mr Ron MacDonald, finance director, Mr Arnold Kemp, editor of The Herald, Mr George McKechnie, editor of the Evening Times, and Mr Alex Hastie, production director.

A chairman is to be named shortly.

Outram, which employs 1,000 people, made pre-tax profits of £5.6m on sales of £58.4m in the year to September 30 1991.

Caledonian expects to make substantial investments and expects "significant and profitable growth over the next few years, consolidating and improving the already strong position" of the titles.

Under the deal, debt of £43m has been underwritten by Bank of Scotland, Royal Bank of Scotland and Robert Fleming to finance the acquisition and Caledonian's future working capital requirements. Mezzanine debt of £10m has been underwritten by 3i and Fleming. Some £40.5m of equity has been underwritten by Fleming.

The executive directors will initially own 6 per cent of the ordinary equity, while 3 per cent will be set aside for employees through an employee share scheme.

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price | Am'nt Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price | + or - | Net Div | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F.P. | – | 99 | 97 | Amicable Smaller | 99 | | N3.1 | – | 4.2 | – |
| – | F.P. | – | 30 | 27 | Do Warrants | 29 | | – | – | – | – |
| – | F.P. | – | 418 | 376 | Bodycote Intl (RFD) | 418 | +5 | 8.75 | 3.0 | 2.8 | 15.3 |
| – | F.P. | – | 4 | 2 | Brent Walker Wts to Sub. | 4 | | – | – | – | – |
| – | F.P. | – | 36 | 20 | §CRP Leisure | 20 | | – | – | – | – |
| ‡ | F.P. | – | 102 | 56 | Capital Industries 1p | 102 | +3 | 2.0 | – | 2.6 | – |
| 70 | F.P. | – | 72 | 63 | Fleming Inc & Cap Tst Inc. | 71 | | F4.73 | – | 8.9 | – |
| 100 | F.P. | – | 107 | 94 | Do. Units | 106 | | F4.73 | – | 5.9 | – |
| 30 | F.P. | – | 36 | 30½ | Do. Zero Div Pf. | 36 | +1 | – | – | – | – |
| 110 | F.P. | – | 161 | 119 | Forth Ports | 160 | +2 | W5.5 | 3.6 | 4.6 | 8.1 |
| £10¾ | F.P. | – | £12¼ | £10¾ | Latin Am Inc & Appr. 1c. | £10¾ | | – | – | – | – |
| – | F.P. | – | 40½ | 34½ | M & G Recovery Inc. | 39½ | | F3.75 | – | 12.6 | – |
| – | F.P. | – | 23½ | 12¼ | Do Capital | 23½ | | – | – | – | – |
| – | F.P. | – | 62 | 46½ | Do Geared Units | 62 | +½ | F3.75 | – | 8.1 | – |
| – | F.P. | – | 115 | 96 | Do. Package Units | 115 | | F3.75 | – | 4.3 | – |
| – | F.P. | – | 11 | ¼ | Multitrust Warrants | 11 | | – | – | – | – |
| – | F.P. | – | 4¼ | 4 | Platignum A | 4½ | | – | – | – | – |
| 115 | F.P. | – | 145 | 121 | Rosebys | 143 | +5 | L4.3 | 1.7 | 4.0 | 16.7 |
| 100 | F.P. | – | 106 | 98 | Templeton Emrg. Mkts C. | 106 | +1½ | – | – | – | – |
| 585 | F.P. | – | 662 | 620 | Waste Management Intl. | 634 | +1 | – | – | – | – |
| – | F.P. | – | 25 | 22½ | Welpac (RFD) | 24½ | | – | – | – | – |

## FIXED INTEREST STOCKS

| Issue Price £ | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price £ | + or - |
|---|---|---|---|---|---|---|---|
| 100p | F.P. | - | 104p | 97¼p | Bank of Ireland Units Non-Cum Prf A | 103½p | +½ |
| - | F.P. | - | 15p | 8p | Brent Walker Var Rte 2nd Prf '00/07 | 13p | |
| - | F.P. | - | 12p | 7p | Do.8½pc 3rd Non-Cum Cnv Prf 2007/10 | 8¼p | -½ |
| 10p | F.P. | - | 10p | 8p | Butte Mining 10pc (Net) Cv Prf 1994 | 8p | |
| 100 | F.P. | - | 107½ | 92½ | Camborne Inds. 10½pc Rd Deb. 2001 | 95½ | |
| 100p | F.P. | - | 108p | 100p | Fidelity Euro. Values Equity Ln 2001 | 108p | |
| 105 | F.P. | - | 110 | 98 | Greencore 9.5% Cnv Un Ln Stk 1995 | 105 | |
| - | F.P. | - | 54½p | 48½p | M & G Recovery Zero Div Prf 1p | 54½p | +¼ |
| 100p | F.P. | - | 105¼p | 97p | NatWest Bank 9pc Prf Series A | 104¾p | |
| 650p | P.P. | - | 490p | 330p | Thorn EMI Non-Int. Bearing Cv Units | 488p | +8 |
| ‡ | F.P. | - | 75p | 68p | Wembley 6p (Net) Cv Com Prf 1999 | 68p | -3 |

## RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1992 High | 1992 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 63 | Nil | 12/6 | 21pm | 6pm | Resort Hotels | 6pm | |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. § Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

## TRADITIONAL OPTIONS

- First Dealings May 1
- Last Dealings May 15
- Last Declarations August 6
- For settlement August 17

*3-month call rate indications are shown on page.*

Calls in ASDA, Enterprise Computer, BET, T. Cowie, Ferranti, J. Finlay, Cupid, MTM, Pelon, Premier Cons., Saatchi & Saatchi and Tarmac. Puts in Albe and Palma. Puts and calls in ASDA.

# Pittencrief steps up US mobile phone presence

By Peggy Hollinger

PITTENCRIEF, the rapidly-growing communications and natural resource group, is stepping up its presence in the US mobile phone sector, in anticipation of a demerger of oil and gas assets next year.

The group yesterday announced a £10m two-for-seven rights issue to fund the purchase of five US communications businesses and future investment in telecoms and natural resources.

The shares rose 12p on the news to 239p, a 26 per cent premium on the offer price of 190p.

Mr Terry Heneaghan, chief executive, said the five south western-based purchases would increase Pittencrief's telecoms sales by 50 per cent, bringing it into the top five US Specialised Mobile Radio Controlled communications groups.

The acquisitions, which total $8.4m, are Comtronix, Advanced Communications Systems, A-Com Communication, Mustang Communications and J&J Systems.

The final decision on whether to demerge the communications business, which Mr Heneaghan said was undervalued at Pittencrief's current rating, would be taken after the 1992 audit.

Mr Heneaghan said Pittencrief also intended to use the rights proceeds to build up the oil and gas side.

# Offer and placing, two buys, and losses at ASB

ASB GROUP, the recruitment and training company rescued from liquidation by a £750,000 rights issue last year, yesterday announced an offer and placing to raise funds to buy two training businesses, writes Peggy Hollinger.

Mr Alan Greenough, chairman and chief executive, said the purchase of Harper Craven, the sales and marketing training company, and Monckerkin, the outward bound-type course specialist, would provide a solid base for future expansion. The group will pay up to £700,000, including deferred payments, for the two groups.

The company – which also announced deeper losses of £575,000, compared with £409,000 for the year to December 31 – is raising £200,000 through an open offer of 1 share for every 7.56 held at 6.5p and a further £200,000 through a placing, subject to clawback.

Codeissue, the vendor of Harper Craven, will subscribe for shares worth a further £200,000, representing a stake of 18.4 per cent.

ASB also announced the sale of ASB Selection, its loss-making recruitment business, to Codeissue for £100,000.

## NEWS DIGEST

### Bletchley rights to raise £2m

BLETCHLEY MOTOR Group is raising £2.1m in a share issue to fund two dealership sites for Japanese cars.

The placing and open offer, on a 1-for-2 basis, is priced at 150p a share. The market price closed only 2p down at 168p yesterday. Bletchley also announced that it was moving from the USM to the main market.

The two sites to be developed are one for Nissan at Letchworth, Hertfordshire, costing £560,000, and one for Toyota at Luton, Bedfordshire, costing £850,000. So far the group has held franchises for Rover, Ford, Vauxhall and Leyland DAF.

Mr David Dunn, chairman, whose stake is being diluted from 47 to 31 per cent by the share issue, said the total investment in the two sites would amount to £2.1m, taking up all the issue proceeds.

The group chose not to borrow more money as its gearing was running at 157 per cent.

### Dean & Bowes trade warning

Shares in Dean & Bowes fell 2p to 8p after the contracting and construction group warned that its financial and trading position had "materially worsened" and that it was only able to continue trading with the support of its bankers.

The group, which in February sold the pub refurbishment business to Mr Stephen Dean, its former chairman and chief executive, said it had now negotiated the sale of the Platonoff and Harris joinery business to Mr Dean for £120,000 in cash. Further disposals might be necessary and there were plans to change the name of the business to Chequers Group.

### Assets decline at Fleming Eastern

Net asset value at Fleming Far Eastern Investment Trust was 229.25p at March 31, down from the 244p reported a year ago.

Net revenue in the year to March 31 declined to £3.33m (£3.42m). Earnings dropped to 1.53p (2.19p). The dividend for the year is reduced to 1.5p (2p).

### Eadie calls for £2.37m

Eadie Holdings, the Glasgow-based specialist engineering group, is seeking to raise £2.37m with a two-for-three rights issue at 14p per share. Eadie's shares closed 3p lower at 17p.

The company, which is moving up from the USM to a full listing, is buying MCM, the materials handling group, for an initial payment of £2.5m. This will be satisfied with a mixture of shares, loan notes and cash, with a further deferred payment of £950,000 dependent on MCM's future profits.

### Associate provision hits Linton Park

A £3.43m provision against an associate, taken as an extraordinary item, left Linton Park, the tea planting, food processing and engineering group, with a loss for the 1991 year of £2.27m, against profits of £5.38m.

Pre-tax profits were 45 per cent lower at £4.42m, against £8.07m, after a higher net interest charge of £1.79m (£1.47m) and lower income from associates and other participating interests of £431,000 (£1.27m). Turnover fell from £128.4m to £124.3m. Earnings came out at 8.8p (25.1p). A final dividend of 10.5p makes an unchanged 13p total.

### Ellis & Everard £2.5m disposal

Ellis & Everard, the chemical distributor, has sold two offshoots – Midkem and Dimex International – to Yule Catto for £2.5m cash.

The disposals were consistent with Ellis's strategy of concentrating on its core chemical distribution businesses.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 09.05.92: Pool purchase price £/MWh | Final Prices for Trading on 11.04.92: Pool purchase price £/MWh | Final Prices for Trading on 11.04.92: Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.13 | 16.71 | 16.71 |
| 0100 | 17.13 | 16.70 | 16.70 |
| 0130 | 17.19 | 16.81 | 16.81 |
| 0200 | 16.86 | 17.33 | 18.91 |
| 0230 | 16.76 | 27.20 | 29.16 |
| 0300 | 17.31 | 27.20 | 29.13 |
| 0330 | 17.16 | 16.81 | 16.81 |
| 0400 | 17.13 | 16.76 | 16.76 |
| 0430 | 17.11 | 16.74 | 16.74 |
| 0500 | 17.11 | 16.73 | 16.73 |
| 0530 | 17.15 | 16.81 | 16.81 |
| 0600 | 17.15 | 16.81 | 16.81 |
| 0630 | 17.16 | 16.86 | 16.86 |
| 0700 | 17.19 | 16.78 | 18.35 |
| 0730 | 17.17 | 16.78 | 18.34 |
| 0800 | 19.49 | 20.08 | 21.77 |
| 0830 | 19.85 | 20.17 | 21.86 |
| 0900 | 21.02 | 21.85 | 23.61 |
| 0930 | 20.77 | 21.85 | 23.60 |
| 1000 | 23.75 | 22.14 | 23.91 |
| 1030 | 23.75 | 22.14 | 23.90 |
| 1100 | 23.75 | 20.17 | 21.85 |
| 1130 | 23.75 | 20.17 | 21.85 |
| 1200 | 22.61 | 19.75 | 21.41 |
| 1230 | 22.61 | 19.64 | 21.30 |
| 1300 | 20.77 | 19.60 | 21.26 |
| 1330 | 19.86 | 16.78 | 18.33 |
| 1400 | 19.37 | 16.78 | 18.35 |
| 1430 | 19.20 | 16.81 | 16.81 |
| 1500 | 19.20 | 16.76 | 16.76 |
| 1530 | 17.19 | 16.75 | 16.75 |
| 1600 | 17.21 | 16.76 | 16.76 |
| 1630 | 19.20 | 16.76 | 16.76 |
| 1700 | 19.20 | 16.76 | 16.76 |
| 1730 | 19.20 | 16.78 | 18.36 |
| 1800 | 19.20 | 16.78 | 18.36 |
| 1830 | 19.20 | 16.78 | 18.36 |
| 1900 | 19.20 | 16.78 | 18.36 |
| 1930 | 19.20 | 18.86 | 20.50 |
| 2000 | 17.21 | 18.86 | 20.46 |
| 2030 | 17.21 | 18.86 | 20.48 |
| 2100 | 17.21 | 18.86 | 20.48 |
| 2130 | 19.20 | 18.86 | 20.48 |
| 2200 | 19.20 | 18.86 | 20.48 |
| 2230 | 19.20 | 16.85 | 18.86 |
| 2300 | 18.70 | 16.77 | 18.77 |
| 2330 | 18.70 | 16.74 | 18.74 |
| 2400 | 17.21 | 16.71 | 16.71 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

## ECONOMIC DIARY

**TODAY:** *Informal meeting of* European Community finance ministers in Oporto. Six *Gulf Co-operation Council* foreign ministers hold extraordinary meeting in Riyadh to discuss stance on Damascus Declaration, a proposed post-Gulf War security pact with Syria and Egypt.

**TOMORROW:** Summit meeting of central Asian republics. In the Turkmenistan capital Ashkhabad.

**MONDAY:** The Department of the Environment publishes figures for housing starts and completions during March. Central Statistical Office gives statistics for credit business (March). *Middle East regional talks* continue in Washington. Philippine elections. *European Community foreign* ministers meet in Brussels. European Community telecommunications council meets in Brussels. European Parliament in plenary session in Strasbourg.

**TUESDAY:** Producer price index numbers for April. US producer price index (April); *housing completions* (March). Senior officials of the non-aligned movement due to start four-day meeting in Bali to prepare for September summit. Financial Times holds two-day conference "International Securities Markets: Limiting Market Risk" in London.

**WEDNESDAY:** US consumer price index (April). North Korea/Japan normalisation talks open in Beijing (until May 14).

**THURSDAY:** Labour market statistics: *unemployment* and unfilled vacancies (April-provisional); average *earnings indices (March-*provisional); employment, hours and productivity and unit wage costs; industrial disputes. Provisional figures of vehicle production (April). Capital issues and redemptions (April). Global Panel conference in The Hague.

**FRIDAY:** Usable steel production in April. Retail prices index and tax and price index for April. Summit of leaders of the Commonwealth of Independent States in Tashkent.

## FT-ACTUARIES SHARE INDICES

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**EQUITY GROUPS & SUB-SECTIONS** — Figures in parentheses show number of stocks per section

| | Friday May 8 1992: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj 1992 to date | Thu May 7 Index No. | Wed May 6 Index No. | Tue May 5 Index No. | Year ago (approx) Index No. | 1992 High | | 1992 Low | | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (179) | 924.10 | +1.6 | 6.65 | 5.03 | 19.56 | 14.30 | 909.20 | 900.49 | 888.58 | 846.56 | 924.10 | 8/5 | 739.74 | 10/1 | 1038.07 16/7/87 | 50.71 13/12/74 |
| 2 Building Materials (22) | 1109.74 | +1.2 | 5.48 | 5.33 | 25.72 | 18.61 | 1096.90 | 1088.87 | 1083.09 | 1106.31 | 1117.99 | 24/4 | 872.32 | 10/1 | 1381.08 16/7/87 | 44.27 11/12/74 |
| 3 Contracting, Construction (28) | 1068.91 | +2.5 | 5.50 | 5.65 | 28.57 | 22.00 | 1042.88 | 1030.04 | 1024.29 | 1335.94 | 1068.91 | 8/5 | 827.89 | 10/1 | 1951.50 16/7/87 | 71.48 2/12/74 |
| 4 Electricals (8) | 2614.71 | +0.6 | 7.08 | 5.64 | 18.36 | 68.82 | 2600.08 | 2570.51 | 2589.58 | 2380.35 | 2707.71 | 24/4 | 2296.79 | 2/1 | 3040.80 8/9/89 | 84.71 25/6/62 |
| 5 Electronics (29) | 2055.20 | +1.2 | 8.76 | 4.13 | 14.48 | 4.21 | 2030.93 | 2014.21 | 1991.30 | 1787.03 | 2055.20 | 8/5 | 1655.93 | 13/1 | 2308.22 19/5/89 | 1229.01 8/10/85 |
| 6 Engineering-Aerospace (7) | 401.23 | +2.0 | 8.74 | 6.47 | 14.51 | 10.89 | 393.46 | 388.63 | 386.33 | 439.72 | 401.23 | 8/5 | 313.50 | 14/2 | 502.42 13/6/90 | 313.50 14/2/92 |
| 7 Engineering-General (44) | 554.88 | +1.5 | 7.49 | 4.25 | 16.56 | 7.37 | 546.58 | 539.88 | 536.18 | 446.98 | 554.88 | 8/5 | 455.80 | 2/1 | 554.88 8/5/92 | 339.57 23/1/91 |
| 8 Metals and Metal Forming (8) | 374.78 | +0.6 | 1.25 | 9.24 | – | 0.32 | 372.71 | 376.74 | 367.56 | 461.54 | 376.74 | 6/5 | 295.34 | 10/1 | 596.67 9/10/87 | 49.65 6/1/75 |
| 9 Motors (14) | 394.37 | +2.9 | 6.77 | 5.96 | 19.41 | 9.96 | 383.10 | 372.72 | 362.54 | 328.19 | 394.37 | 8/5 | 277.78 | 10/1 | 411.42 13/10/87 | 19.91 6/1/75 |
| 10 Other Industrial Materials (19) | 1898.48 | +1.9 | 6.55 | 4.36 | 18.39 | 33.24 | 1862.90 | 1847.05 | 1806.73 | 1528.13 | 1898.48 | 8/5 | 1495.50 | 2/1 | 1898.48 8/5/92 | 277.55 15/1/81 |
| 21 CONSUMER GROUP (188) | 1752.82 | +1.0 | 6.89 | 3.24 | 17.78 | 14.22 | 1735.92 | 1735.03 | 1717.24 | 1478.25 | 1752.82 | 8/5 | 1565.23 | 8/4 | 1752.82 8/5/92 | 61.41 13/12/74 |
| 22 Brewers and Distillers (28) | 2270.60 | +1.2 | 7.23 | 3.21 | 16.59 | 16.80 | 2243.43 | 2236.08 | 2197.60 | 1833.08 | 2270.60 | 8/5 | 1938.05 | 8/4 | 2270.60 8/5/92 | 69.47 13/12/74 |
| 25 Food Manufacturing (17) | 1303.66 | +1.1 | 8.27 | 4.03 | 14.98 | 17.10 | 1289.58 | 1282.35 | 1277.83 | 1176.75 | 1303.66 | 8/5 | 1212.43 | 8/4 | 1303.66 8/5/92 | 59.67 11/12/74 |
| 26 Food Retailing (18) | 2859.48 | +1.0 | 8.05 | 3.03 | 16.13 | 18.63 | 2830.41 | 2805.28 | 2805.63 | 2844.60 | 2905.46 | 20/4 | 2293.80 | 10/1 | 2905.46 24/4/92 | 54.25 11/12/74 |
| 27 Health and Household (24) | 4271.51 | +0.5 | 6.46 | 2.48 | 17.64 | 30.61 | 4251.55 | 4255.03 | 4188.08 | 3305.25 | 4654.94 | 14/1 | 4009.23 | 23/4 | 4654.94 14/1/92 | 175.38 28/5/80 |
| 29 Hotels and Leisure (20) | 1443.52 | +0.8 | 5.91 | 4.73 | 21.83 | 23.10 | 1431.75 | 1442.96 | 1421.31 | 1348.88 | 1443.52 | 8/5 | 1210.11 | 2/1 | 1845.77 8/9/89 | 54.83 9/1/75 |
| 30 Media (25) | 1702.44 | +1.5 | 5.66 | 3.22 | 22.03 | 17.30 | 1676.72 | 1664.74 | 1665.32 | 1473.75 | 1702.44 | 8/5 | 1402.70 | 8/1 | 1702.44 8/5/92 | 1166.91 16/1/91 |
| 31 Packaging, Paper & Printing (27) | 866.98 | +0.9 | 6.02 | 3.81 | 20.07 | 10.45 | 859.61 | 855.60 | 852.06 | 684.15 | 866.98 | 8/5 | 714.55 | 2/1 | 866.98 8/5/92 | 43.46 6/1/75 |
| 34 Stores (33) | 1107.65 | +1.3 | 6.72 | 3.27 | 19.68 | 2.69 | 1093.87 | 1107.14 | 1097.29 | 930.73 | 1135.66 | 27/4 | 941.79 | 3/4 | 1160.58 29/7/87 | 52.63 6/1/75 |
| 35 Textiles (10) | 756.70 | +0.5 | 6.31 | 4.10 | 20.02 | 3.32 | 752.91 | 750.53 | 743.96 | 542.52 | 756.70 | 8/5 | 587.29 | 8/1 | 914.52 2/10/87 | 62.66 11/12/74 |
| 40 OTHER GROUPS (116) | 1353.11 | +2.2 | 8.93 | 4.75 | 14.10 | 13.84 | 1337.72 | 1333.04 | 1316.12 | 1235.16 | 1353.11 | 8/5 | 1140.56 | 3/4 | 1353.11 8/5/92 | 58.63 6/1/75 |
| 41 Business Services (17) | 1505.43 | +2.5 | 6.48 | 4.20 | 19.45 | 13.18 | 1468.39 | 1450.10 | 1433.33 | 1223.50 | 1505.43 | 8/5 | 1233.67 | 8/4 | 1505.43 8/5/92 | 892.28 1/2/91 |
| 42 Chemicals (22) | 1629.99 | +1.0 | 6.85 | 4.46 | 18.98 | 24.16 | 1613.26 | 1609.57 | 1601.23 | 1290.40 | 1629.99 | 8/5 | 1392.40 | 10/1 | 1629.99 8/5/92 | 71.20 1/12/74 |
| 43 Conglomerates (11) | 1481.06 | +1.2 | 9.52 | 6.41 | 12.85 | 9.34 | 1463.59 | 1458.14 | 1443.67 | 1566.25 | 1481.06 | 8/5 | 1249.23 | 13/2 | 1819.46 11/8/89 | 975.19 10/11/87 |
| 44 Transport (14) | 2736.10 | +1.5 | 4.61 | 4.15 | 28.83 | 30.47 | 2694.91 | 2717.76 | 2667.47 | 2239.41 | 2736.10 | 8/5 | 2256.85 | 8/4 | 2736.10 8/5/92 | 90.80 29/6/62 |
| 45 Electricity (16) | 1318.21 | +0.6 | 13.33 | 4.94 | 9.79 | 17.21 | 1310.61 | 1294.61 | 1282.12 | 1216.30 | 1318.21 | 8/5 | 1044.63 | 7/4 | 1318.21 8/5/92 | 994.96 7/1/91 |
| 46 Telephone Networks (4) | 1465.92 | +1.7 | 10.69 | 4.28 | 12.21 | 16.02 | 1441.99 | 1436.01 | 1417.26 | 1480.45 | 1465.92 | 8/5 | 1274.20 | 3/4 | 1658.67 2/10/91 | 517.92 30/11/84 |
| 47 Water (10) | 2913.99 | +0.3 | 14.63 | 5.46 | 7.53 | 0.00 | 2906.61 | 2916.88 | 2863.47 | 2489.87 | 2916.88 | 6/5 | 2140.95 | 8/4 | 2916.88 6/5/92 | 1820.20 1/5/90 |
| 48 Miscellaneous (22) | 2151.72 | +0.5 | 5.49 | 4.58 | 24.08 | 20.93 | 2142.06 | 2135.09 | 2093.03 | 1892.06 | 2151.72 | 8/5 | 1770.94 | 3/1 | 2151.72 8/5/92 | 60.39 6/7/75 |
| 49 INDUSTRIAL GROUP (483) | 1421.15 | +1.2 | 7.49 | 4.06 | 16.70 | 14.44 | 1404.94 | 1400.50 | 1384.29 | 1248.61 | 1421.15 | 8/5 | 1231.76 | 3/4 | 1421.15 8/5/92 | 59.01 13/12/74 |
| 51 Oil & Gas (17) | 2085.67 | -1.3 | 7.29 | 6.82 | 18.03 | 53.06 | 2114.05 | 2124.40 | 2125.55 | 2421.98 | 2226.66 | 2/1 | 1937.42 | 3/4 | 2528.70 3/8/90 | 87.23 29/5/62 |
| 59 500 SHARE INDEX (500) | 1487.15 | +0.9 | 7.47 | 4.33 | 16.82 | 17.34 | 1473.82 | 1470.35 | 1456.12 | 1348.27 | 1487.15 | 8/5 | 1298.02 | 3/4 | 1487.15 8/5/92 | 63.49 13/12/74 |
| 61 FINANCIAL GROUP (87) | 784.51 | +1.4 | – | 5.78 | – | 16.40 | 773.40 | 770.45 | 755.04 | 817.21 | 784.51 | 8/5 | 637.33 | 3/4 | 896.67 13/10/87 | 55.88 13/12/74 |
| 62 Banks (9) | 994.23 | +2.4 | 4.86 | 5.49 | 32.58 | 22.89 | 971.07 | 967.97 | 940.83 | 915.08 | 994.23 | 8/5 | 790.95 | 3/4 | 994.23 8/5/92 | 62.44 12/12/74 |
| 65 Insurance (Life) (6) | 1563.18 | +1.9 | – | 5.70 | – | 44.26 | 1534.72 | 1538.16 | 1502.29 | 1501.08 | 1563.18 | 8/5 | 1243.61 | 6/4 | 1632.53 4/9/91 | 44.88 2/1/75 |
| 66 Insurance (Composite) (7) | 552.51 | -0.3 | – | 6.30 | – | 13.46 | 554.13 | 546.59 | 526.30 | 683.78 | 554.13 | 7/5 | 419.96 | 8/4 | 768.11 29/12/89 | 43.96 13/12/74 |
| 67 Insurance (Brokers) (10) | 974.98 | +0.2 | 7.92 | 6.87 | 16.67 | 20.48 | 972.60 | 967.93 | 966.86 | 1116.28 | 1031.35 | 27/1 | 891.99 | 8/4 | 1399.56 17/7/87 | 65.86 16/12/74 |
| 68 Merchant Banks (7) | 510.60 | +0.5 | – | 4.06 | – | 4.25 | 507.89 | 506.28 | 509.28 | 428.13 | 511.14 | 30/4 | 405.18 | 7/4 | 547.59 12/10/87 | 31.21 7/1/75 |
| 69 Property (33) | 718.65 | +0.5 | 7.46 | 6.36 | 18.66 | 6.50 | 714.82 | 715.20 | 724.25 | 992.38 | 799.69 | 20/1 | 613.80 | 8/4 | 1398.87 5/9/89 | 56.01 20/4/65 |
| 70 Other Financial (15) | 264.00 | +0.8 | 6.58 | 6.55 | 20.82 | 3.12 | 261.90 | 260.09 | 257.85 | 288.72 | 264.00 | 8/5 | 221.16 | 7/4 | 603.48 16/7/87 | 33.29 17/12/74 |
| 71 Investment Trusts (70) | 1268.68 | +0.6 | – | 3.55 | – | 11.14 | 1260.64 | 1252.97 | 1243.54 | 1224.06 | 1268.68 | 8/5 | 1112.66 | 8/4 | 1323.81 4/1/90 | 71.12 13/12/74 |
| 99 ALL-SHARE INDEX (657) | 1319.37 | +1.0 | – | 4.48 | – | 16.72 | 1306.82 | 1303.40 | 1288.53 | 1219.38 | 1319.37 | 8/5 | 1142.45 | 3/4 | 1319.37 8/5/92 | 61.92 13/12/74 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | May 7 | May 6 | May 5 | May 1 | Apr 30 | Year ago | 1992 High | | 1992 Low | | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2725.7 | +23.8 | 2734.8 | 2695.3 | 2701.9 | 2698.7 | 2662.2 | 2659.8 | 2654.1 | 2524.3 | 2725.7 | 8/5 | 2382.7 | 3/4 | 2725.7 8/5/92 | 986.9 23/7/84 |

## FIXED INTEREST

| PRICE INDICES | Fri May 8 | Day's change % | Thu May 7 | Accrued interest | xd adj 1992 to date |
|---|---|---|---|---|---|
| **British Government** | | | | | |
| 1 Up to 5 years (27) | 122.39 | +0.10 | 122.27 | 1.84 | 4.62 |
| 2 5-15 years (25) | 138.14 | +0.10 | 138.00 | 1.91 | 5.45 |
| 3 Over 15 years (9) | 149.82 | +0.08 | 149.70 | 2.83 | 3.39 |
| 4 Irredeemables (6) | 163.15 | +0.07 | 163.03 | 0.38 | 6.11 |
| 5 All stocks (67) | 135.73 | +0.09 | 135.60 | 2.00 | 5.04 |
| **Index-Linked** | | | | | |
| 6 Up to 5 years (2) | 171.00 | +0.17 | 170.71 | 0.42 | 1.83 |
| 7 Over 5 years (9) | 149.13 | +0.26 | 148.74 | 0.86 | 1.64 |
| 8 All stocks (11) | 150.99 | +0.25 | 150.61 | 0.79 | 1.65 |
| 9 Debs & Loans (62) | 119.58 | +0.05 | 119.52 | 2.24 | 4.26 |

| AVERAGE GROSS REDEMPTION YIELDS | | Fri May 8 | Thu May 7 | Year ago (approx.) | 1992 High | | 1992 Low | |
|---|---|---|---|---|---|---|---|---|
| **British Government** | | | | | | | | |
| 1 Low | 5 years | 8.25 | 8.26 | 9.22 | 9.43 | 2/4 | 8.25 | 8/5 |
| 2 Coupons | 15 years | 9.05 | 9.05 | 9.68 | 9.72 | 1/4 | 8.99 | 15/4 |
| 3 (0%-7¾%) | 20 years | 9.05 | 9.05 | 9.80 | 9.72 | 1/4 | 8.99 | 15/4 |
| 4 Medium | 5 years | 9.24 | 9.25 | 10.24 | 10.28 | 1/4 | 9.24 | 8/5 |
| 5 Coupons | 15 years | 9.08 | 9.08 | 10.09 | 9.82 | 1/4 | 9.03 | 15/4 |
| 6 (8%-10¾%) | 20 years | 9.06 | 9.06 | 10.03 | 9.76 | 1/4 | 9.01 | 15/4 |
| 7 High | 5 years | 9.46 | 9.47 | 10.37 | 10.50 | 1/4 | 9.46 | 8/5 |
| 8 Coupons | 15 years | 9.20 | 9.20 | 10.29 | 9.96 | 1/4 | 9.13 | 15/4 |
| 9 (11%-) | 20 years | 9.16 | 9.16 | 10.25 | 9.86 | 1/4 | 9.08 | 15/4 |
| 10 Irredeemables | | 9.27 | 9.27 | 10.03 | 9.92 | 2/4 | 9.19 | 15/4 |
| **Index-Linked** | | | | | | | | |
| 11 Inflation rate 5% | Up to 5yrs | 3.80 | 3.83 | 3.76 | 4.14 | 2/1 | 3.52 | 4/3 |
| 12 Inflation rate 5% | Over 5 yrs | 4.40 | 4.41 | 4.11 | 4.60 | 6/4 | 4.27 | 17/2 |
| 13 Inflation rate 10% | Up to 5 yrs | 3.13 | 3.15 | 2.94 | 3.50 | 2/1 | 2.86 | 4/3 |
| 14 Inflation rate 10% | Over 5 yrs | 4.22 | 4.23 | 3.93 | 4.42 | 6/4 | 4.07 | 17/2 |
| 15 Debs & | 5 years | 10.59 | 10.61 | 11.88 | 11.51 | 6/4 | 10.56 | 15/4 |
| 16 Loans | 15 years | 10.45 | 10.45 | 11.63 | 11.22 | 6/4 | 10.40 | 15/4 |
| 17 | 25 years | 10.35 | 10.35 | 11.42 | 11.02 | 6/4 | 10.29 | 15/4 |

‡Opening index 2695.8; 9 am 2700.9; 10 am 2708.4; 11 am 2718.4; Noon 2721.0; 1 pm 2729.0; 2 pm 2732.2; 2.30 pm 2734.6; 3 pm 2728.8; 4.10 pm 2725.4; (a) 2.27pm (b) 8.40am

| Equity section or group | Base date | Base value | Equity section or group | Base date | Base value | Equity section or group | Base date | Base value |
|---|---|---|---|---|---|---|---|---|
| Business Services | 31/12/90 | 999.65 | Telephone Networks | 30/11/84 | 517.92 | Food Manufacturing | 29/12/67 | 114.13 |
| Electricity | 31/12/90 | 999.65 | Electronics | 30/12/83 | 1646.65 | Food Retailing | 29/12/67 | 114.13 |
| Media | 31/12/90 | 1228.68 | Other Industrial Materials | 31/12/80 | 287.41 | Insurance Brokers | 29/12/67 | 96.67 |
| Engineering - Aerospace | 29/12/89 | 486.00 | Health/Household Products | 30/12/77 | 261.77 | All Other | 10/4/62 | 100.00 |
| Engineering - General | 29/12/89 | 486.00 | Other Groups | 31/12/74 | 63.75 | British Government | 31/12/75 | 100.00 |
| Water | 29/12/89 | 1968.45 | Industrial Group | 31/12/70 | 128.20 | Do. Index-linked | 30/4/82 | 100.00 |
| Conglomerates | 31/12/86 | 1114.07 | Other Financial | 31/12/70 | 128.06 | Debs & Loans | 31/12/77 | 100.00 |

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. Tel: 071-925 2323. NAME CHANGE: Eurotherm International (5) is now Eurotherm.

## LIFFE EQUITY OPTIONS

[illegible]

May 8 Total Contracts 40,[illegible]
Calls 28,253 Puts 12,[illegible]
FT-SE Index Calls [illegible] Puts [illegible]
Euro FT-SE Calls [illegible] Puts [illegible]
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

## TRADITIONAL OPTION 3-month call rates

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **■ INDUSTRIALS** | p | Charter Cons. | 37 | Ladbroke | 14 | Sears | 9 | **■ OILS** | |
| Allied-Lyons | 49 | Comm Union | 34 | Legal & Gen. | 22 | SmKl Bchm A | 61 | Aviva Pet | 25 |
| Amstrad | 6½ | Courtaulds | 39 | Lex Service | 18 | TI | 45 | BP | 20 |
| Astec (BSR) | 3 | Eurotunnel | 29 | Lloyds Bank | 32 | TSB | 11½ | Burmah Castrol | 44 |
| BAT Inds | 10 | FKI | 6 | Lonrho | 12 | Tesco | 22 | Conroy Pet | 7 |
| BOC | 53 | FNFC | 7 | Lucas Inds | 12½ | Thorn EMI | 63 | Gaelic Res | ½ |
| BTR | 32 | Forte | 21 | Marks Spencer | 27 | T & N | 11½ | Premier Cons | 2½ |
| Barclays | 26 | GKN | 30 | Midland Bank | 30 | Unilever | 70 | Shell | 33 |
| Blue Circle | 25 | Gen Accident | 38 | NatWest Bank | 26 | Vickers | 13 | Tuskar Res | ½ |
| Boots | 39 | GEC | 15 | P & O Dfd | 37 | Wellcome | 80 | **■ MINES** | |
| Bowater | 60 | Glaxo | 59 | Racal Elect | 5 | **■ PROPERTY** | | RTZ | 47 |
| Brit Aerospace | 26 | Grand Met | 35 | RHM | 18 | Brit Land | 19 | | |
| British Steel | 6½ | GRE | 12 | Rank Org | 56 | Land Sec | 34 | | |
| Brit Telecom | 24 | Hanson | 18 | Ratners | 2½ | MEPC | 26 | | |
| Cadburys | 33 | ICI | 95 | Reed Intl | 44 | Mountleigh | 1½ | | |

INTERNATIONAL COMPANIES AND FINANCE

# IBM considers investment in Time Warner division

By Louise Kehoe in San Francisco

IBM may make a substantial investment in Time Warner Entertainment, the film, television and cable division of the entertainment empire, in connection with plans the companies are believed to be discussing to create a large-scale joint venture.

IBM says it is seeking partners in the entertainment, consumer electronics and telecommunications fields to create an independent venture that would offer "interactive multimedia services" to homes and businesses throughout the US.

"Movies on demand" will be one of the first applications of the planned service. Subscribers will be able to watch a film of their choice at any time. Other potential uses include "interactive television", in which viewers could, for example, answer questions on a quiz show. IBM also envisages educational and information service applications.

Time Warner is believed to have become the primary focus of IBM's discussions. An alliance between the two would combine IBM's information processing expertise with Time Warner's entertainment, media and distribution capabilities.

Other partners, including an electronics manufacturer, would be needed to provide equipment such as the "decoder" boxes for use with television sets.

A likely choice is Toshiba, which with C. Itoh, the Japanese trading company, has agreed to take a 12.5 per cent equity stake in Time Warner Entertainment for $500m each.

An investment of similar proportions by IBM would provide Time Warner with much needed cash.

The entertainment company has been seeking investments to reduce the enormous debt it incurred in its creation by the merger of the former Time and Warner Communications groups in early 1990.

IBM's primary goal is, however, to find a partner that would enable it to capitalise on its investments in "multimedia" technology, which apply computer technology to providing a rich mix of video, graphics and text information.

# Foster's faces asset write-down

By Kevin Brown in Sydney

FOSTER'S Brewing Group, Australia's biggest brewer, yesterday warned that difficult economic conditions may force it to write down the value of its remaining non-core assets.

Foster's foreshadowed the move in response to a query from the Australian Stock Exchange about fluctuations in the group's share price, which fell from A$1.93 on Monday to a low of A$1.77 on Thursday.

The group said it could not explain the fall, and assured the exchange that no important announcements were about to be made which might have leaked out.

However, Foster's said "adjustments" to the carrying value of its assets might have to be made "in view of the uncertain and difficult economic conditions prevailing, particularly in the Australian property market".

John Elliott: his IBH controls 38% of Foster's

The group wrote off A$1.58bn (US$1.19bn) in abnormal and extraordinary losses in 1989/90, leading to a loss of A$1.26bn. It wrote off A$277m in the following year, when the loss contracted to A$43m, and a further A$120m in the first half of the current year.

Foster's has been disposing of non-brewing assets since 1990, under a recovery programme intended to re-establish the group as a pure brewing business.

However, it has been unable to dispose of non-core assets with a book value of A$2.8bn, including finance assets valued at A$1.6bn and agribusiness and pastoral assets valued at more than A$600m.

Analysts said much of the uncertainty in the group's shares was caused by the financial instability of International Brewing Holdings (IBH), a private company controlled by Mr John Elliott, which owns 38 per cent of Foster's.

IBH is due to submit a refinancing plan to its bankers later this month, and could be placed in liquidation later this year if no agreement is reached.

# Pinelands shares soar on sale news

SHARES in Pinelands, a New Jersey-based company, soared $5¾ to $17¾ in active trading on Wall Street yesterday on news that the company had agreed to be acquired by Chris-Craft Industries for $18 a share or about $310m, writes Karen Zagor in New York.

If the deal goes ahead, it will allow Chris-Craft to become one of the largest US non-network television station businesses by giving the group a foothold in the important New York market. Chris-Craft's BHC Communications division operates seven stations.

On Wall Street, shares in Chris-Craft slipped $¾ to $26¾.

# Woolworth takes stake in German retail group

By David Waller in Frankfurt

THE GERMAN arm of Woolworth, the US retail giant, has taken an indirect stake of 6.25 per cent in Horten, Germany's fourth largest retail group, for an undisclosed sum.

F. W. Woolworth, which operates 316 retail stores in Germany, is buying a 25 per cent stake in Deutsche Gesellschaft für Anlagenverwaltung (Degav), a holding company owning 25 per cent of Horten.

Woolworth said it regarded the holding as a long term-investment in the German department store sector, made especially secure because of Horten's extensive property portfolio.

Following a restructuring this year, Horten is indirectly controlled via Westdeutsche Landesbank, the Düsseldorf-based regional bank. It has a 60 per cent stake in a holding company which owns 49.9 per cent of the retailer, and a further 1.1 per cent stake directly.

The remaining 75 per cent of Degav is owned by Deutsche Bank, Germany's largest bank.

Woolworth's German operations had sales of DM2.9bn ($1.75bn) in 1991, and net earnings of DM78.3m.

# Lec fails after stock market collapse

By Robert Thomson in Tokyo

LEC, maker of bathroom products and kitchenware, yesterday filed for protection with the Tokyo District Court, marking the first failure of a listed Japanese company since 1986.

The Tokyo-based company, with outstanding borrowings estimated at Y25bn ($188m), was apparently a victim of stock market speculation since its core business was profitable. But the stock market collapse had created huge appraisal losses.

Meanwhile, the Tokyo Stock Exchange, which suspended trading in the stock on Thursday, is investigating unusually large turnover of Lec shares earlier this week and is also seeking information from the company on why it was not informed earlier about the filing.

Lec, listed on Tokyo's second section, is the first listed company to fail since Kokko Steel Works collapsed in August 1986, and its court application yesterday was seen as a symbol of the still serious financial problems facing some manufacturers who diversified into stock speculation.

The Lec failure also raises questions about the willingness of Japanese banks to prop up all of their troubled clients. Bank officials have indicated that they are willing to back traditional customers, unless those companies' problems stem from stock trading.

Founded in 1957 and listed in 1985, Lec is one of Japan's largest makers of plastic kitchenware, bronze sculptures, candle stands and bathroom goods. Sales for the fiscal year just ended were forecast to rise about 35 per cent to Y30bn, but revenue was not enough to cover the appraisal losses and depreciation charges.

The company had forecast a pre-tax loss of Y640m, but, until yesterday, was confident that an upturn in the Japanese economy in coming months would enable it to avoid a court filing.

About 2 per cent of the company's production was exported, and foreign investors hold about 0.6 per cent of its stocks.

● Nippon Housing Loan, Japan's top-ranked home loan institution, revised its current profit estimate downwards by 87.5 per cent to Y770m from Y6.01bn for the year ended March 1992. The company now estimates that it made a net after-tax loss of Y6.49bn for the year, from a previously-estimated Y3.04bn profit.

# State to take control at Nordbanken

By Robert Taylor in Stockholm

THE Swedish government is take full control of Nordbanken, the country's second largest commercial bank, in a SKr20bn ($3.38bn) rescue operation.

The state's intervention is designed to save Nordbanken from possible collapse due to mounting credit losses and to help the bank's restructuring in preparation for its rapid privatisation.

Under the proposed changes Nordbanken will be divided into two separate operations. Its normal commercial banking activities will continue while a newly formed subsidiary, Securum, with an initial SKr60bn balance sheet, will deal with non-performing loans, property administration and other problem areas.

The state already owns 77.3 per cent of Nordbanken. Yesterday the bank's other main shareholder – Nobel Industries – said it had accepted the offer of SKr21 a share for its 12.6 per cent of Nordbanken. The total cost of acquiring the outstanding shares is estimated to be around SKr2bn.

The government's move stems from the continuing deterioration in Nordbanken's finances. This year alone its credit losses – due to a persistently weak property and finance market – are expected to rise to between SKr6bn and SKr8bn.

The bank said as a result it would not be able by the autumn to maintain an adequate capital adequacy ratio despite last October's move by the state to subscribe for and guarantee a SKr5.2bn new share issue. For 1991 Nordbanken made a SKr5.8bn loss.

Mr Bjorn Wahlstrom, Nordbanken chairman, said yesterday that the only alternative to state intervention would have been a dramatic contraction and a drastic fall in the valuation of the bank.

The bank said the SKr20bn rescue package will cover guarantees, loans, capital injections and other measures needed for the financing of Securum.

The Ministry of Finance said its proposal would ensure Nordbanken could grow into a stable bank with a strong capital base and good level of profitability. "These are the necessary conditions for the sale of Nordbanken to the private sector which the government wants to do as soon possible," it said.

Credit Suisse First Boston, the merchant bank, has been given the task of examining the possibilities of finding a new owner for the bank.

Yesterday's announcement brought an angry reaction from Mr Curt Olsson, chairman of Skandinaviska Enskilda Banken, Sweden's largest commercial bank. Mr Olsson found it "difficult" to criticise the state for saving Nordbanken from an acute crisis, but the decision he said would lead to a "serious distortion of competition in Swedish banking".

# Petrofina sees 'marked drop'

By Andrew Hill in Brussels

PETROFINA, the Belgian oil, gas and petrochemicals group, is likely to suffer a "marked drop" in profits in the first half of 1992, its chief executive warned yesterday.

Mr François Cornélis told shareholders that although medium-term forecasts on the company's different activities were good, short-term improvements would depend on an increase in the price of gas in the US, improved refining margins and the absorption of excess capacity in the petrochemicals sector.

Speaking before the shareholders' meeting, Mr Cornélis also confirmed that Petrofina, Belgium's largest industrial group, was in talks with Hoechst, the US chemicals company, about buying its high-density polyethylene activities in the US. Hoechst has a capacity of 150,000 tonnes a year in polyethylene. Mr Cornélis refused to expand on the progress of the talks.

Petrofina suffered a 25 per cent decline in net consolidated profits last year – to BFr16.3bn ($478m) from BFr21.7bn. In the first half of 1991 it made BFr10.26bn, marginally up on 1990.

Mr Cornélis said the group was well-positioned for the future, and he placed particular emphasis on the likely impact of the BFr29bn investment to improve the efficiency of Petrofina's Antwerp refinery.

"From the middle of 1994, [the investment] ought to put our refinery at the leading edge of our business in terms of added value [oil products] and the environment," he told shareholders.

# Fried. Krupp forecasts decline

By Christopher Parkes in Bonn

FRIED. KRUPP, the German steel, engineering and trading group shortly to be merged with Hoesch, its former rival, is expecting a drop in both sales and profits this year despite a 4 per cent increase in orders in the first quarter, Mr Gerhard Cromme, chairman, said yesterday.

An expected strike among members of the IG Metall metal-working union will also take its toll, mainly in the machinery divisions, he added.

Confirming a 2 per cent increase in sales last year to DM15bn ($9bn) and a 2 per cent drop in orders, he said pre-tax profits for last year totalled DM417m. Net earnings rose DM88m to DM306m.

Mr Cromme, who claimed that "restructuring and rehabilitation" of the group, started in 1988, was virtually completed last year, also warned of unspecified "pruning" in addition to the 1,800 job losses directly related to the Hoesch merger.

Early orders, totalling DM3.6bn in the first quarter, could not be read as a reliable indicator of overall prospects.

"The steel sector is confronted with a difficult situation with prices for some products at 1980 levels," he said. "This price slump cannot be offset even by the extensive rationalisation of recent years and the ongoing structural measures."

● ADN, the financially stretched former state press agency of communist East Germany, has been taken over by the west German domestic news service DDP, Reuters reports from Berlin.

# Hoare Govett arm to close Tokyo office

By Emiko Terazono in Tokyo

HOARE Govett Japan, the Japanese arm of the London-based broker, will close its Tokyo branch, becoming the seventh foreign-affiliated brokerage to withdraw from Tokyo.

The sluggish Tokyo stock market forced Hoare Govett to close down its Japanese equities operation last March.

Hoare Govett started its Tokyo securities operations in 1986. However, the prolonged slump in the Tokyo stock market has forced smaller foreign houses to close or scale down their operations, and Hoare Govett's closure of its Japanese equities operations follows houses such as Chase Manhattan Securities and BHF Securities.

Hoare Govett is currently partly owned by BankAmerica, the US bank which merged with Security Pacific in April. ABN Amro Bank, based in Amsterdam, signed a letter of intent this year to buy Hoare Govett from BankAmerica.

# Corporacion Banesto accounts qualified

INDEPENDENT auditors have qualified the 1991 accounts of Corporacion Banesto for failing to provision correctly for a stock acquisition that led to losses and because it has five years of tax inspections pending, Reuter reports from Madrid.

Banco Espanol de Credito SA-Banesto, the Spanish banking group which owns 72 per cent of Corporacion, confirmed the auditors' findings but had no other comment.

Corporacion Banesto is a holding company for the industrial group of the same name. It was created in 1990 after a restructuring of the bank's industrial subsidiaries previously held through trust companies.

The auditors' report states that in September 1990 Corporacion guaranteed Banesto loans to another subsidiary, Banesto Industrial Investments BII, which Corporacion then acquired in June 1991 together with the loan liability.

In December 1991, BII was wound up and its liabilities taken over by the Corporacion, producing a loss of Pta9.73bn ($95m), part of which corresponds to the 1990 fiscal year.

The auditors' report says that "given the financial situation of BII at December 1990 the consolidated accounts of (the Corporacion) to that date should have included a provision for the potential losses that existed".

It said the relevant provision in 1991 should have been presented as "results from previous years" in the profit and loss account for that year.

BII's assets consisted of 972,108 Carburos Metalicos shares and an option on 841,656 additional shares in the same company.

It added that with tax inspections pending for the past five years, it was impossible to quantify the company's tax liability.

Corporacion made a 1991 pre-tax profit of Pta3.79bn after provisions of Pta28.4bn.

# WORLD COMMODITIES PRICES

| WEEKLY PRICE CHANGES | Latest prices | Change on week | Year ago | High 1992 | Low 1992 |
|---|---|---|---|---|---|
| Gold per troy oz. | $335.90 | -1.35 | $357.00 | $403.25 | $335.90 |
| Silver Per troy oz | 230.42p | +4.47 | 235.30p | 280.55p | 183.35p |
| Aluminium 99.7% (cash) | $1297 | +7.5 | $1312 | $1570 | $1082.5 |
| Copper Grade A (cash) | £1240.25 | +6.25 | £1437.5 | £1472 | £1147.0 |
| Lead(cash) | £294 | +1.5 | £327.5 | £382.5 | £279.00 |
| Nickel (cash) | $7302.5 | -87.5 | $8630 | $9237.5 | $7090.0 |
| Zinc SHG (cash) | $1349.5 | -22 | $1091 | $1430 | $990.25 |
| Tin (cash) | $5977.5 | +107.5 | $5770 | $5977.5 | $5425.0 |
| Cocoa Futures (Jul) | £565 | -24 | £622 | £829 | £585 |
| Coffee Futures (Jul) | £676 | -52 | - | $908 | $676 |
| Sugar (LDP Raw) | $244.5 | +5.5 | $199.5 | $293 | $194 |
| Barley Futures (Sep) | £108.50 | N/C | £107.80 | £122.95 | £107.75 |
| Wheat Futures (Jun) | £126.65 | +0.35 | £139.35 | £141.10 | £111.80 |
| Cotton Outlook A Index | 60.20c | +0.25 | 83.30c | 86.25c | 54.40c |
| Wool (64s Super) | 434p | -10 | 372p | 480p | 329p |
| Oil (Brent Blend) | $19.625x | -0.15 | $19.575 | $29.15 | $16.75 |

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-June

## London Markets

SPOT MARKETS

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $17.15-7.20q | -.025 |
| Brent Blend (dated) | $19.60-9.70 | |
| Brent Blend (Jun) | $19.60-9.65 | |
| W.T.I (1 pm est) | $20.75-0.80q | |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $228-230 | |
| Gas Oil | $180-181 | +1 |
| Heavy Fuel Oil | $74-76 | |
| Naphtha | $190-192 | +2 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $335.90 | -0.40 |
| Silver (per troy oz)♣ | 412c | +6 |
| Platinum (per troy oz) | $353.25 | +2.0 |
| Palladium (per troy oz) | $82.25 | -0.50 |
| Copper (US Producer) | 104.67c | +1.17 |
| Lead (US Producer) | 37.0c | |
| Tin (Kuala Lumpur market) | 14.64r | +0.01 |
| Tin (New York) | 278.5c | +1.0 |
| Zinc (US Prime Western) | 63c | |
| Cattle (live weight)† | 109.03p | +1.06* |
| Sheep (live weight)†♣ | 96.16p | -2.53* |
| Pigs (live weight)† | 97.52 p | -3.30* |
| London daily sugar (raw) | $244.5t | +2.5 |
| London daily sugar (white) | $283.0t | +2.0 |
| Tate and Lyle export price | £244.5 | +1.0 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | £148 | |
| Wheat (US Dark Northern) | £120w | |
| Rubber (Jun)♥ | 55.00p | -0.25 |
| Rubber (Jul)♥ | 55.25p | -0.25 |
| Rubber (KL RSS No 1 Jun) | 219.0r | -0.5 |
| Coconut oil (Philippines)§ | $640.0t | |
| Palm Oil (Malaysian)§ | $377.5q | |
| Copra (Philippines)§ | $410 | |
| Soyabeans (US) | £149.5q | |
| Cotton "A" Index | 60.20c | +0.20 |
| Wooltops (64s Super) | 434p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May. q-Jun. †Meat Commission average latstockprices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices

| SUGAR – London FOX ($ per tonne) | | | | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Aug | 215.00 | 215.00 | 215.40 | |
| Oct | 202.00 | 201.60 | 201.60 | |
| Dec | 194.00 | 194.00 | 190.60 | |
| May | 194.00 | | 189.20 | |
| Aug | 194.00 | | 193.00 | |
| White | Close | Previous | High/Low | |
| Aug | 278.00 | 278.00 | 279.00 | 276.50 |
| Oct | 270.00 | 269.90 | 270.50 | 268.00 |

Turnover: Raw 54 (157) lots of 50 tonnes. White 248 (574)
Paris- White (FFr per tonne): Aug 1554.58 Oct 1516.46

| CRUDE OIL – IPE $/barrel | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 19.63 | 19.56 | 19.65 | 19.53 |
| Jul | 19.49 | 19.41 | 19.51 | 19.39 |
| Aug | 19.40 | 19.34 | 19.42 | 19.32 |
| Sep | 19.33 | 19.30 | 19.36 | 19.29 |
| Oct | 19.29 | 19.25 | 19.30 | 19.29 |
| Nov | 19.24 | 19.26 | 19.24 | |
| Dec | 19.23 | 19.23 | 19.23 | |
| IPE Index | 19.57 | 19.68 | | |

Turnover 15283 (21913)

| GAS OIL – IPE $/tonne | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 178.50 | 177.25 | 178.75 | 177.25 |
| Jun | 178.25 | 177.25 | 178.50 | 177.00 |
| Jul | 179.00 | 178.00 | 179.25 | 178.00 |
| Aug | 181.00 | 180.00 | 181.00 | 180.00 |
| Sep | 182.75 | 182.00 | 182.75 | 181.75 |
| Oct | 184.50 | 184.00 | 184.50 | 183.50 |
| Nov | 185.50 | 185.00 | 185.50 | 185.00 |
| Dec | 186.50 | 185.75 | 186.25 | 185.75 |
| Jan | 184.75 | | 184.00 | |

Turnover 11690 (15292) lots of 100 tonnes

SPICES

International markets seem to be dormant, reports Man-producten. Cloves market weak, Madagascan available below $775 fob for large quantities. Nutmegs/mace: Indonesian abcd $1,750, shrivels $1,325 and bwp $1,000. Cassia unchanged, Seychelles cinnamom bark $1,350 cif Europe. Madagascar cinnamom not available until new cuttings out of June/July shipment, quoted at FF 6 cif. Ginger: Indian cochin $1,100, Nigerian split selected grade between $800 and $800 ex-warehouse. Jamaican pimento spot Rotterdam $2,450, shipment $2,395 cif, Mexico new crop $1,750 for October shipment. Madras turmeric firm.

| COCOA – London FOX £/tonne | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 538 | 540 | 539 | 532 |
| Jul | 565 | 567 | 565 | 557 |
| Sep | 591 | 592 | 591 | 582 |
| Dec | 623 | 627 | 623 | 615 |
| Mar | 654 | 658 | 657 | 646 |
| May | 676 | 680 | 681 | 669 |
| Jul | 698 | 702 | 701 | 688 |
| Sep | 716 | 721 | 717 | 706 |
| Dec | 745 | | 739 | |

Turnover: 6173 (8990) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 7 720.30 (726.96) 10 day average for May 8 744.95 (749.56)

| COFFEE – London FOX $/tonne | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 658 | 670 | 671 | |
| Jul | 678 | 693 | 701 | 670 |
| Sep | 700 | 713 | 720 | 696 |
| Nov | 724 | 732 | 743 | 720 |
| Jan | 745 | 748 | 759 | 745 |
| Mar | 762 | 766 | 779 | 772 |
| May | 782 | 785 | 795 | 783 |

Turnover: 2881 (4144) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 7: Comp. daily 47.24 (48.54) 15 day average 50.23 (50.61)

| POTATOES – London FOX £/tonne | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 110.8 | 116.0 | 113.9 | 110.5 |

Turnover 88 (169) lots of 20 tonnes.

| SOYAMEAL – London FOX £/tonne | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 125.00 | 125.00 | |

Turnover 0 (65) lots of 20 tonnes.

| FREIGHT – London FOX $10/index point | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 1285 | 1292 | 1300 | 1285 |
| Jun | 1253 | 1248 | 1258 | 1250 |
| Jul | 1160 | 1165 | 1170 | 1160 |
| Oct | 1268 | 1271 | 1280 | 1268 |
| Jan | 1265 | 1275 | 1265 | |
| BFI | 1255 | 1240 | 1256 | |

Turnover 322 (408)

| GRAINS – London FOX £/tonne | | | | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| May | 125.80 | 126.00 | 126.00 | 125.80 |
| Jun | 126.85 | 126.90 | 126.90 | 126.85 |
| Sep | 111.55 | | 111.55 | 111.50 |
| Nov | 114.60 | 114.40 | 114.70 | 114.60 |
| Jan | 118.20 | 117.90 | 118.20 | |
| Mar | 121.15 | 120.85 | 121.15 | |
| Barley | Close | Previous | High/Low | |
| May | 118.65 | 118.00 | 118.65 | 118.20 |

Turnover Wheat 112 (239), Barley 100 (26).
Turnover lots of 100 Tonnes.

| PIGS – London FOX (Cash Settlement) p/kg | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 125.0 | | 124.8 | 124.0 |
| Jun | 117.0 | 117.0 | 116.8 | 116.5 |
| Jul | 110.5 | | 110.5 | 110.0 |
| Aug | 106.0 | 105.0 | 104.8 | 104.5 |
| Sep | 106.0 | 105.5 | 105.3 | 104.5 |
| Nov | 107.0 | | 105.3 | 105.0 |

Turnover: 45 (18) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | Total daily turnover 31,347 lots | | |
| Cash | 1296-8 | 1298.5-9.5 | | 1298.5-9 | | |
| 3 months | 1322-2.5 | 1324-5 | 1326/1322 | 1323.5-4 | 1322-3 | 167,404 lots |
| Copper, Grade A (£ per tonne) | | | | Total daily turnover 21,185 lots | | |
| Cash | 1240-0.5 | 1231.5-2.5 | 1241/1228.5 | 1229-9.5 | | |
| 3 months | 1267-8 | 1262.5-3 | 1269/1256 | 1258-8.5 | 1267.5-8 | 105,052 lots |
| Lead (£ per tonne) | | | | Total daily turnover 1,524 lots | | |
| Cash | 293.5-4.5 | 291.5-2.5 | | 289.5-90 | | |
| 3 months | 306-6.5 | 304-5 | 307/300 | 302.25-2.75 | 305-6 | 16,806 lots |
| Nickel ($ per tonne) | | | | Total daily turnover 5,678 lots | | |
| Cash | 7300-5 | 7325-35 | 7313 | 7313-5 | | |
| 3 months | 7385-90 | 7415-20 | 7410/7360 | 7401-2 | 7375-80 | 24,557 lots |
| Tin ($ per tonne) | | | | Total daily turnover 1,806 lots | | |
| Cash | 5975-80 | 5925-35 | | 5958-60 | | |
| 3 months | 5980-5 | 5955-60 | 5990/5975 | 5978-80 | 5990-5 | 7,251 lots |
| Zinc, Special High Grade ($ per tonne) | | | | Total daily turnover 27,692 lots | | |
| Cash | 1347-52 | 1356-60 | 1332/1331 | 1330-1 | | |
| 3 months | 1267-8 | 1266-7 | 1271/1255 | 1259-60 | 1266-7 | 57,691 lots |

LME Closing £/$ rate: SPOT: 1.7875 3 months: 1.7596 6 months: 1.7336 9 months: 1.7132

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 335.70-336.10 | |
| Opening | 334.50-334.90 | |
| Morning fix | 334.85 | 185.636 |
| Afternoon fix | 336.90 | 188.160 |
| Day's high | 337.20-337.50 | |
| Day's low | 334.50-334.80 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 2.93 | 6 months | 3.09 |
| 2 months | 2.95 | 12 months | 3.31 |
| 3 months | 2.99 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 223.75 | 403.55 |
| 3 months | 229.45 | 407.45 |
| 6 months | 235.25 | 411.90 |
| 12 months | 245.90 | 421.15 |

GOLD COINS (Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 337.00-338.00 | 188.25-189.25 |
| Maple leaf | 348.00-349.00 | 194.50-195.50 |
| New Sovereign | 81.00-82.00 | 45.25-46.25 |

TRADED OPTIONS

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Jul | Sep | Jul | Sep |
| 1250 | 75 | 100 | 10 | 20 |
| 1300 | 42 | 68 | 26 | 38 |
| 1400 | 8 | 27 | 91 | 94 |
| Copper (Grade A) | Calls | | Puts | |
| 2100 | 133 | 143 | 3 | 8 |
| 2200 | 50 | 70 | 17 | 34 |
| 2300 | 9 | 26 | 75 | 88 |
| Coffee | Jul | Sep | Jul | Sep |
| 600 | 76 | 104 | 1 | 5 |
| 650 | 34 | 64 | 9 | 15 |
| 700 | 8 | 35 | 34 | 69 |
| Cocoa | Jul | Sep | Jul | Sep |
| 550 | 26 | | 11 | |
| 600 | 7 | 25 | 42 | 34 |
| 650 | 1 | 11 | 86 | 70 |
| Brent Crude | Jun | Jul | Jun | Jul |
| 1900 | | | 3 | |
| 1950 | 23 | 46 | 12 | |
| 2000 | 4 | 27 | | 81 |

## New York

| GOLD 100 troy oz.; $/troy oz. | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 336.0 | 335.6 | 0 | 0 |
| Jun | 335.3 | 336.9 | 338.2 | 335.3 |
| Jul | 337.2 | 336.8 | 0 | 0 |
| Aug | 337.9 | 337.6 | 340.0 | 337.0 |
| Oct | 339.6 | 339.3 | 340.2 | 339.0 |
| Dec | 341.8 | 341.3 | 343.6 | 340.5 |
| Feb | 343.8 | 343.6 | 344.9 | 344.8 |
| Apr | 346.0 | 345.9 | 347.1 | 346.3 |
| Jun | 348.4 | 348.3 | 348.0 | 348.0 |

| PLATINUM 50 troy oz; $/troy oz. | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 350.0 | 348.9 | 0 | 0 |
| Jul | 352.0 | 350.9 | 354.4 | 350.5 |
| Oct | 355.9 | 354.8 | 356.5 | 356.0 |
| Jan | 355.9 | 354.5 | 358.0 | 354.5 |
| Apr | 357.4 | 356.0 | 355.5 | 355.5 |

| SILVER 5,000 troy oz; cents/troy oz. | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 407.7 | 403.4 | 410.0 | 401.0 |
| Jun | 408.6 | 404.5 | 0 | 0 |
| Jul | 409.8 | 405.8 | 414.5 | 404.5 |
| Sep | 412.6 | 408.9 | 417.0 | 408.5 |
| Dec | 417.5 | 413.7 | 421.0 | 412.0 |
| Jan | 419.1 | 415.3 | 0 | 0 |
| Mar | 422.8 | 419.0 | 426.5 | 426.5 |
| May | 426.6 | 422.8 | 0 | 0 |
| Jul | 430.5 | 426.7 | 0 | 0 |
| Sep | 435.0 | 431.2 | 0 | 0 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 100.75 | 100.45 | 101.10 | 100.60 |
| Jun | 101.00 | 100.85 | 101.40 | 101.10 |
| Jul | 101.25 | 101.20 | 101.70 | 101.20 |
| Aug | 101.40 | 101.35 | 0 | 0 |
| Sep | 101.45 | 101.40 | 101.65 | 101.50 |
| Oct | 101.50 | 101.45 | 101.55 | 101.55 |
| Nov | 101.50 | 101.45 | 101.50 | 101.60 |
| Dec | 101.55 | 101.50 | 101.80 | 101.50 |
| Jan | 101.35 | 101.35 | 101.35 | 101.25 |
| Feb | 101.20 | 101.20 | 101.10 | 101.10 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 9.87 | 9.70 | 9.84 | 9.46 |
| Oct | 9.10 | 9.05 | 9.15 | 8.98 |
| Mar | 8.98 | 8.91 | 9.00 | 8.90 |
| May | 8.92 | 8.84 | 8.95 | 8.90 |
| Jul | 8.94 | 8.88 | 8.94 | 8.87 |
| Oct | 8.84 | 8.83 | 8.86 | 8.85 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 20.80 | 20.71 | 20.83 | 20.72 |
| Jul | 20.87 | 20.80 | 20.91 | 20.81 |
| Aug | 20.89 | 20.83 | 20.93 | 20.84 |
| Sep | 20.82 | 20.78 | 20.87 | 20.80 |
| Oct | 20.76 | 20.72 | 20.81 | 20.74 |
| Nov | 20.70 | 20.65 | 20.73 | 20.66 |
| Dec | 20.60 | 20.60 | 20.64 | 20.60 |
| Jan | 20.56 | 20.52 | 20.58 | 20.54 |
| Feb | 20.50 | 20.45 | 20.50 | 20.50 |
| Mar | 20.40 | 20.39 | 20.40 | 20.40 |

| HEATING OIL 42,000 US galls, cents/US galls | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 5750 | 5741 | 5785 | 5740 |
| Jul | 5710 | 5688 | 5730 | 5690 |
| Aug | 5760 | 5750 | 5780 | 5760 |
| Sep | 5875 | 5855 | 5886 | 5860 |
| Oct | 5970 | 5945 | 5980 | 5965 |
| Nov | 6065 | 6030 | 6065 | 6045 |
| Dec | 6145 | 6110 | 6160 | 6110 |
| Jan | 6165 | 6125 | 6165 | 6135 |
| Feb | 6050 | 6020 | 0 | 0 |
| Mar | 5840 | 5800 | 5890 | 5840 |

| COCOA 10 tonnes;$/tonnes | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 874 | 854 | 874 | 860 |
| Jul | 909 | 904 | 913 | 896 |
| Sep | 953 | 944 | 954 | 936 |
| Dec | 1004 | 995 | 1004 | 986 |
| Mar | 1045 | 1043 | 1045 | 1030 |
| May | 1072 | 1071 | 1072 | 1060 |
| Jul | 1103 | 1102 | 1092 | 1092 |
| Sep | 1130 | 1129 | 0 | 0 |
| Dec | 1170 | 1169 | 1170 | 1165 |

| COFFEE "C" 37,500lbs; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 60.00 | 59.65 | 60.50 | 59.25 |
| Jul | 60.80 | 60.70 | 61.60 | 59.85 |
| Sep | 63.00 | 63.25 | 64.00 | 62.10 |
| Dec | 66.35 | 66.80 | 67.25 | 65.50 |
| Mar | 69.90 | 70.15 | 70.85 | 69.20 |
| May | 73.75 | 73.65 | 74.25 | 73.75 |
| Jul | 77.15 | 76.25 | 77.00 | 76.75 |
| Sep | 79.15 | 78.25 | 0 | 0 |

| COTTON 50,000; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jul | 59.22 | 60.18 | 59.28 | 59.18 |
| Oct | 60.47 | 61.15 | 61.30 | 60.37 |
| Dec | 61.22 | 62.00 | 61.90 | 61.10 |
| Mar | 62.45 | 63.06 | 62.60 | 62.35 |
| May | 62.90 | 63.55 | 0 | 0 |
| Jul | 63.20 | 63.85 | 0 | 0 |

| ORANGE JUICE 15,000 lbs; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 138.75 | 137.25 | 139.45 | 137.75 |
| Jul | 128.25 | 129.20 | 129.90 | 128.75 |
| Sep | 122.05 | 121.75 | 122.65 | 121.80 |
| Nov | 114.75 | 114.50 | 115.50 | 114.75 |
| Jan | 114.00 | 113.45 | 114.30 | 113.85 |
| Mar | 114.00 | 113.60 | 0 | 0 |
| May | 113.60 | 113.20 | 0 | 0 |
| Jul | 113.60 | 113.20 | 0 | 0 |
| Sep | 113.60 | 113.20 | 0 | 0 |

INDICES

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| May 8 | May 7 | mnth ago | yr ago |
| 1582.8 | 1578.7 | 1627.9 | 1725.0 |

| DOW JONES (Base: Dec. 31 1974 = 100) | May 7 | May 6 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 116.76 | 116.07 | 116.46 | 128.35 |
| Futures | 118.89 | 118.29 | 120.51 | 128.73 |

## Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 589/4 | 593/2 | 593/0 | 585/6 |
| Jul | 594/2 | 597/6 | 597/0 | 589/4 |
| Aug | 597/6 | 601/6 | 601/0 | 593/4 |
| Sep | 602/2 | 605/6 | 604/0 | 596/2 |
| Nov | 609/4 | 613/2 | 612/2 | 604/2 |
| Jan | 618/4 | 621/6 | 620/0 | 613/6 |
| Mar | 627/0 | 631/0 | 628/0 | 623/0 |
| May | 633/4 | 637/0 | 636/0 | 630/4 |

| SOYABEAN OIL 60,000 lbs; cents/lb | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 20.20 | 20.23 | 20.23 | 19.98 |
| Jul | 20.42 | 20.46 | 20.44 | 20.23 |
| Aug | 20.59 | 20.60 | 20.60 | 20.39 |
| Sep | 20.82 | 20.80 | 20.85 | 20.67 |
| Oct | 20.97 | 21.01 | 21.00 | 20.82 |
| Dec | 21.29 | 21.37 | 21.30 | 21.11 |
| Jan | 21.40 | 21.45 | 21.40 | 21.30 |
| Mar | 21.67 | 21.85 | 21.70 | 21.57 |

| SOYABEAN MEAL 100 tons; $/ton | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 178.2 | 178.7 | 179.0 | 177.1 |
| Jul | 179.8 | 181.2 | 181.3 | 179.2 |
| Aug | 179.9 | 182.1 | 182.1 | 179.6 |
| Sep | 180.4 | 182.9 | 182.9 | 180.1 |
| Oct | 198.2 | 199.8 | 199.8 | 197.0 |
| Dec | 198.5 | 200.1 | 200.0 | 197.3 |
| Jan | 198.2 | 200.3 | 0 | 0 |
| Mar | 198.5 | 200.3 | 200.0 | 198.5 |

| MAIZE 5,000 bu min; cents/56lb bushel | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 255/2 | 257/6 | 256/0 | 252/2 |
| Jul | 261/2 | 263/2 | 262/4 | 258/2 |
| Sep | 260/0 | 262/6 | 262/2 | 257/4 |
| Dec | 259/4 | 262/6 | 262/0 | 256/6 |
| Mar | 267/2 | 270/0 | 267/6 | 264/6 |
| May | 271/2 | 274/0 | 271/4 | 269/0 |

| WHEAT 5,000 bu min; cents/60lb-bushel | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 381/0 | 387/6 | 386/0 | 379/0 |
| Jul | 369/6 | 376/4 | 375/0 | 367/4 |
| Sep | 374/6 | 379/2 | 378/4 | 371/0 |
| Dec | 381/0 | 386/6 | 385/0 | 378/2 |
| Mar | 380/0 | 384/4 | 383/0 | 379/4 |
| May | 366/0 | 370/0 | 0 | 0 |

| LIVE CATTLE 40,000 lbs; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 74.700 | 74.425 | 74.750 | 74.350 |
| Aug | 71.775 | 71.600 | 71.800 | 71.475 |
| Oct | 70.875 | 70.625 | 70.925 | 70.650 |
| Dec | 70.275 | 70.025 | 70.350 | 70.025 |
| Feb | 69.625 | 69.450 | 69.700 | 69.475 |
| Apr | 70.600 | 70.625 | 70.700 | 70.600 |
| Jun | 68.500 | 68.450 | 68.675 | 68.500 |

| LIVE HOGS 40,000 lb; cents/lbs | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jun | 48.950 | 48.625 | 49.250 | 48.450 |
| Jul | 46.525 | 46.350 | 46.750 | 46.250 |
| Aug | 44.425 | 44.425 | 44.675 | 44.250 |
| Oct | 40.650 | 40.750 | 40.900 | 40.600 |
| Dec | 43.075 | 43.000 | 43.150 | 42.750 |
| Feb | 44.225 | 43.975 | 44.300 | 43.900 |
| Apr | 42.950 | 42.700 | 42.950 | 42.600 |

| PORK BELLIES 40,000 lbs; cents/lb | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 38.300 | 37.175 | 38.450 | 37.400 |
| Jul | 37.675 | 37.050 | 37.950 | 37.600 |
| Aug | 35.700 | 34.950 | 35.875 | 34.950 |
| Feb | 44.750 | 43.825 | 45.800 | 44.250 |
| Mar | 43.800 | 42.850 | 44.250 | 43.800 |
| May | 44.400 | 43.600 | 44.700 | 44.400 |

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar stages good recovery

THE DOLLAR strengthened against the D-Mark yesterday after better than forecast US employment figures indicated an upturn in the US economy in April, *writes James Blitz.*

The market reacted optimistically to the non-farm payroll figures for April, which showed a rise in employment of 126,000. As a result the dollar ended up over a pfennig against the D-Mark, closing at DM1.6475 after a previous close of DM1.6360.

However, analysts thought the jobs figures were not good enough to alter the market belief that the US recovery is still rather dormant. Fears that the US Federal Reserve might cut the Fed funds rate again are certain to resurface next week. "We can't rule out a further reduction in interest rates, especially if next week's US retail sales figures come in on the weak side," said Mr Neil MacKinnon, chief economist of Yamaichi International in London. That indicator, which the markets will watch out for closely on Wednesday, showed only a 0.1 per cent monthly rise in March.

Sterling was, once again, among the most actively traded currencies of the day, ending up half a pfennig against the D-Mark at DM2.9450. It is now fifth from bottom of the EMS grid, having overtaken the Italian, French and Danish currencies this week.

There were no new factors boosting the British currency yesterday, beyond investor confidence in the one European country certain to have stable government for the next five years. According to Mr Jim O'Neill, head of research at Swiss Banking Corporation in London, the outlook for sterling remains strong, with every possibility that it could soon test DM2.97. "Sterling has been one of the most volatile currencies this year," he said, "with plenty of potential for profit and loss there."

The D-Mark, by contrast, failed to gain from news that the damaging public sector strike in Germany had finally ended, and lost out to most currencies yesterday. The market seemed more concerned that the government had caved in to the trade unions' demands, raising fears of inflation.

Like sterling, the French franc continued its week-long assault on the German currency, with the D-mark ending at around FFr3.3630, compared to a previous close of FFr3.3669.

Yen trading was, once again, very subdued yesterday. But the currency gave up some of its recent gains after the Japanese Ministry of Finance said it had no plans for injecting a new fiscal stimulus. This has raised fears that the Japanese economy is being subjected to policy overkill, and the yen closed down against the dollar at Y133.35 compared to Y132.70.

### £ IN NEW YORK

| May 8 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.7865-1.7875 | 1.7940-1.7950 |
| 1 month | 0.96-0.95pm | 0.96-0.95pm |
| 3 months | 2.75-2.72pm | 2.75-2.72pm |
| 12 months | 9.08-8.98pm | 9.08-8.98pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu May 8 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Portuguese Escudo | 178.735 | 171.369 | -4.12 | 5.64 | 66 |
| Spanish Peseta | 133.631 | 128.591 | -3.77 | 5.26 | 65 |
| Belgian Franc | 42.4032 | 42.2940 | -0.26 | 1.55 | 17 |
| Dutch Guilder | 2.31643 | 2.31259 | -0.17 | 1.45 | 13 |
| D-Mark | 2.05586 | 2.05453 | -0.06 | 1.35 | 10 |
| Sterling | 0.696904 | 0.698405 | 0.22 | 1.07 | -6 |
| Irish Punt | 0.767417 | 0.769363 | 0.25 | 1.03 | -7 |
| French Franc | 6.89509 | 6.91850 | 0.34 | 0.94 | [illegible] |
| Italian Lira | 1538.24 | 1547.23 | 0.58 | 0.70 | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### CURRENCY MOVEMENTS

### POUND SPOT - FORWARD AGAINST THE POUND

### CURRENCY RATES

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### OTHER CURRENCIES

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

| May 8 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.787 | 2.945 | 238.2 | 9.900 | 2.732 | 3.312 | 2214 | 2.152 | 60.50 | 183.6 | 1.429 |
| $ | 0.560 | 1 | 1.648 | 133.3 | 5.540 | 1.529 | 1.853 | 1239 | 1.204 | 33.86 | 102.7 | 0.800 |
| DM | 0.340 | 0.607 | 1 | 80.88 | 3.362 | 0.928 | 1.125 | 751.8 | 0.731 | 20.54 | 62.34 | 0.485 |
| YEN | 4.198 | 7.502 | 12.36 | 1000. | 41.56 | 11.47 | 13.90 | 9295 | 9.034 | 254.0 | 770.8 | 5.999 |
| F Fr. | 1.010 | 1.805 | 2.975 | 240.6 | 10. | 2.760 | 3.345 | 2236 | 2.174 | 61.11 | 185.5 | 1.443 |
| S Fr. | 0.366 | 0.654 | 1.078 | 87.19 | 3.624 | 1 | 1.212 | 810.4 | 0.788 | 22.14 | 67.20 | 0.523 |
| H Fl. | 0.302 | 0.540 | 0.889 | 71.92 | 2.989 | 0.825 | 1 | 668.5 | 0.650 | 18.27 | 55.43 | 0.431 |
| Lira | 0.452 | 0.807 | 1.330 | 107.6 | 4.472 | 1.234 | 1.496 | 1000. | 0.972 | 27.33 | 82.93 | 0.645 |
| C$ | 0.465 | 0.830 | 1.368 | 110.7 | 4.600 | 1.270 | 1.539 | 1029 | 1 | 28.11 | 85.32 | 0.664 |
| B Fr. | 1.653 | 2.954 | 4.868 | 393.7 | 16.36 | 4.516 | 5.474 | 3660 | 3.557 | 100. | 303.5 | 2.362 |
| Pta | 0.545 | 0.973 | 1.604 | 129.7 | 5.392 | 1.488 | 1.804 | 1206 | 1.172 | 32.95 | 100. | 0.778 |
| Ecu | 0.700 | 1.251 | 2.061 | 166.7 | 6.928 | 1.912 | 2.318 | 1549 | 1.506 | 42.34 | 128.5 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.7870 | 1.7775 | 1.7595 | 1.7259 | 1.6978 |
| D-mark | 2.9450 | 2.9444 | 2.9429 | 2.9418 | 2.9375 |
| French Fr. | 9.9000 | 9.8990 | 9.8960 | 9.8850 | 9.8785 |
| Swiss Fr. | 2.7325 | 2.7250 | 2.7234 | 2.7142 | 2.6923 |
| Yen | 238.25 | 237.14 | 236.05 | 231.96 | 226.34 |

## FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

### OPTIONS ON LONG-TERM FRENCH BOND (MATIF) (May 7)

| Strike | Calls June | Calls September | Calls December | Puts June | Puts September | Puts December |
|---|---|---|---|---|---|---|
| 106 | 2.28 | - | - | 0.02 | 0.19 | - |
| 107 | 1.30 | [illegible] | - | 0.10 | [illegible] | - |
| 108 | 0.47 | 1.18 | - | [illegible] | 0.71 | - |
| 109 | [illegible] | 0.69 | - | 0.92 | - | - |
| 110 | [illegible] | 0.37 | 0.74 | 1.72 | - | - |
| 111 | - | 0.17 | - | - | - | - |
| Open int | 134,074 | 48,294 | 10,020 | [illegible] | 29,813 | 9,923 |

Estimated volume 44,628 Total Open Interest 337,707

## BANK RETURN

| BANKING DEPARTMENT | Wednesday May 6, 1992 | Increase or decrease for week |
|---|---|---|
| **LIABILITIES** | £ | £ |
| Capital | 14,553,000 | |
| Public Deposits | 87,965,916 | - 1,744,323 |
| Bankers Deposits | 1,822,501,431 | + 99,108,640 |
| Reserve and other Accounts | 3,627,932,917 | + 61,538,671 |
| | 5,552,953,264 | + 158,902,788 |
| **ASSETS** | | |
| Government Securities | 1,552,741,176 | + 51,620,000 |
| Advance and other Accounts | 2,848,415,082 | + 136,265,274 |
| Premises Equipment & other Secs | 1,124,664,910 | - 29,170,722 |
| Notes | [illegible] | + 197,194 |
| Coin | 212,639 | - 9,958 |
| | 5,552,953,264 | + 158,902,788 |
| **ISSUE DEPARTMENT** | | |
| **LIABILITIES** | | |
| Notes in circulation | 16,173,080,552 | + 159,802,806 |
| Notes in Banking Department | 6,919,448 | + 197,194 |
| | 16,180,000,000 | + 160,000,000 |
| **ASSETS** | | |
| Government Debt | 11,015,100 | |
| Other Government Securities | 10,927,592,132 | + 1,458,457,579 |
| Other Securities | 5,241,392,768 | - 1,298,457,579 |
| | 16,180,000,000 | + 160,000,000 |

## MONEY MARKETS

# Rates unchanged

RATES in the sterling money market were mostly unchanged yesterday, despite the pound's strong performance on the foreign exchange markets.

On Thursday, both sterling futures and interbank rates had reflected the strong performance by the pound on the foreign exchange markets. But yesterday, the market reverted to the view *that* 10 per cent base rate will stay throughout the summer, following the Bank of England's ½ point cut earlier this week.

Trade in sterling futures was extremely quiet with volume for the September short sterling contract at around 8000 lots. The September contract ended at 90.27, implying that base rates five months from now will be 9.73 per cent.

Period rates in the interbank market were also mostly unchanged. The 3-month rate again ended at 10⅛-1/16 per cent, while the one-year rate was only marginally lower at 10 1/16-10 per cent. "That bare difference between the period rates reflects the market view that there is little chance of a base rate change soon," said a market analyst.

In the discount market, traders found it difficult to remove a shortage of £2.35bn, the largest ever forecast by the Bank of England.

In early operations, the Bank purchased £2m of Band-1 Bank bills at 9⅞ per cent, £50m of Band-3 Bank bills at 9 13/16 per cent, £44m of Band-4 Bank bills at 9 13/16 per cent and £600m of bills for resale to the market in equal amounts on 28 and 29 May at an interest rate of 9 15/16 per cent.

Later the Bank bought £33m of Band-3 Bank bills at 9 13/16 per cent, £3m of Band-4 Bank bills at 9 13/16 per cent, and £800m for resale to the market in equal amounts on 28 and 29 May at an interest rate of 9 15/16 per cent.

In the afternoon, the Bank bought £650m of Band-1 bills at 9⅞ per cent, £34m of Band-2 and £2m of Treasury bills at 9⅞ per cent, £134m of Band-3 Treasury bills and £5m of Bank bills at 9 13/16 per cent, and £68m of Band-4 Bank bills at 9 13/16 per cent. The overnight rate ended at around 9⅞ per cent.

Ireland became the third EMS-member country this week to cut interest rates after the Central Bank of Ireland cut both its overnight and short term facility lending rates.

The overnight rate was cut to 7¼ per cent from 7½ per cent, and the short-term facility rate was reduced to 10½ per cent.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

### FT LONDON INTERBANK FIXING

| (11.00 a.m. May 8) | 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|---|
| | bid 3¾ | offer 3⅞ | bid 3 15/16 | offer 4 1/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

NEW YORK

| Lunchtime | | Treasury Bills and Bonds | | | |
|---|---|---|---|---|---|
| Prime rate | 6½ | One month | 3.59 | Three year | 5.90 |
| Broker loan rate | 6 | Two month | 3.28 | Five year | 6.82 |
| Fed funds | 3⅞ | Three month | 3.72 | Seven year | 7.16 |
| Fed funds at intervention | - | Six month | 3.91 | 10-year | 7.48 |
| | | One year | 4.27 | 30-year | 8.00 |
| | | Two year | 5.36 | | |

| May 8 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 9.60-9.70 | 9.70-9.80 | 9.70-9.80 | 9.70-9.80 | 9.70-9.80 | 9.75 |
| Paris | 9⅝-9¾ | 9⅝-9¾ | 9⅞-10 | 9⅞-10 | 9⅞-10 | 9.60 |
| Zurich | 7⅝-8⅛ | 8⅝-8¾ | - | 8⅝-8¾ | - | - |
| Amsterdam | 9.31-9.38 | 9.47-9.54 | - | 9.48-9.55 | - | - |
| Tokyo | 4⅝-4⅞ | 4 15/16-4 13/16 | - | 4⅝-4⅞ | - | - |
| Milan | 12¼-12½ | 12⅞-12¼ | - | 12 3/16-12¾ | - | - |
| Brussels | 9⅞-9¼ | 9⅞-9½ | - | 9½-9⅝ | - | - |
| Dublin | 10¼-10⅜ | 10¼-10⅜ | 10¼-10⅜ | 10¼-10⅜ | 10¼-10⅜ | - |

### LONDON MONEY RATES

| May 8 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 10½ | 10 | 10⅛ | 10⅛ | 10⅛ | 10⅛ |
| Interbank Bid | 8 | 9⅞ | 10 | 10 1/16 | 10 | 9 15/16 |
| Sterling CDs | - | - | 10⅛ | 10⅛ | 10⅛ | 10 |
| Local Authority Deps. | 9⅞ | 10 1/16 | 10 1/16 | 10 1/16 | 10⅛ | 10⅛ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt. Deps | 9⅞ | 10 | - | - | - | - |
| Company Deposits | - | - | 10⅛ | 10⅛ | 10⅛ | 10⅛ |
| Finance House Deposits | - | - | 10⅛ | 10⅛ | 10 1/16 | 10 1/16 |
| Treasury Bills (Buy) | - | - | 9 13/16 | 9½ | 9⅜ | - |
| Bank Bills (Buy) | - | - | 9⅞ | 9 13/16 | 9 13/16 | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.72 | 3.78 | 3.95 | 4.38 |
| SDR Linked Dep. Offer | - | - | 6½ | 6½ | 6 9/16 | 6⅝ |
| SDR Linked Dep. Bid | - | - | 6¼ | 6¼ | 6 7/16 | 6½ |
| ECU Linked Dep. Offer | - | - | 10 3/16 | 10 3/16 | 10 3/16 | 10⅛ |
| ECU Linked Dep. Bid | - | - | 10 1/16 | 10 1/16 | 10 1/16 | 10 |

*Treasury Bills (sell); one-month 9 13/16 per cent; three months 9⅝ per cent; six months 9⅜ per cent; Bank Bills (sell); one-month 9 13/16 per cent; three months 9 11/16 per cent; Treasury Bills; Average tender rate of discount 9.3907 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 23, 1992, Scheme I: 11.75 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.*

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10 | Crédit Lyonnais | 10 | McDonnell Douglas Bk | 13 |
| Allied Trust Bank | 10.5 | Cyprus Popular Bk | 10.5 | Midland Bank | 10 |
| AIB Bank | 10 | Duncan Lawrie | 10 | Mount Banking | 10.5 |
| ● Henry Ansbacher | 10 | Equatorial Bank plc | 10 | NatWestminster | 10 |
| B & C Merchant Bank | 10.5 | Exeter Bank Limited | 11 | Northern Bank Ltd | 10 |
| Bank of Baroda | 10 | Financial & Gen. Bank | 11 | Nykredit Mortgage Bank | 11 |
| Banco Bilbao Vizcaya | 10 | First National Bank Plc | 14 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10 | ● Robert Fleming & Co. | 10 | Roxburghe Bank Ltd | 11.5 |
| Bank of Ireland | 10 | Robert Fraser & Ptnrs. | 10.5 | Royal Bk of Scotland | 10 |
| Bank of India | 10 | Girobank | 10 | ● Smith & Williamson Secs. | 10 |
| Bank of Scotland | 10 | ● Guinness Mahon | 10 | Standard Chartered | 10 |
| Banque Belge Ltd | 10.5 | ● Hambros Bank | 10 | TSB | 10 |
| Barclays Bank | 10 | Hampshire Trust Plc | 13.5 | Unibank plc | 10 |
| Benchmark Bank | 11 | Heritable & Gen Inv Bank | 10 | ● United Bk of Kuwait | 10 |
| Brit Bk of Mid East | 10 | ● Hill Samuel | 10 | Unity Trust Bank Plc | 10 |
| ● Brown Shipley | 10 | C. Hoare & Co. | 10 | Western Trust | 10 |
| CL Bank Nederland | 10 | Hongkong & Shanghai | 10 | Westpac Bank Corp. | 10.5 |
| Citibank NA | 10 | Julian Hodge Bank | 10 | Whiteaway Laidlaw | 10 |
| City Merchants Bank | 10 | ● Leopold Joseph & Sons | 10 | Yorkshire Bank | 10 |
| Clydesdale Bank | 10 | Lloyds Bank | 10 | | |
| Co-operative Bank | 10 | Meghraj Bank Ltd | 10 | | |
| Coutts & Co | 10 | | | | |

● Members of British Merchant Banking & Securities Houses Association.

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

NOTES - Gross: Contractual rate of interest payable not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

# LONDON STOCK EXCHANGE

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

## British Funds, etc
No. of bargains included 3537

Exchequer 10½% Stk 2005 - £109⅞ (5My92)
Guaranteed Export Finance Corp PLC 12½% Gtd Ln Stk 2002(Reg) - £120⅝

## Corporation and County Stocks
No. of bargains included 1

Birmingham Corp 3½% Stk 1946(or after) - £32 (6My92)
Birmingham District Council 11½% Red Stk 2012 - £107½ (5My92)
Bristol(City of) 11½% Red Stk 2008 - £108 (5My92)
Leeds(City of) 13½% Red Stk 2006 - £123½ (6My92)
Manchester(City of) 11.5% Red Stk 2007 - £110 (5My92)
Merton(London Borough of) 11¼% Red Stk 2017 - £106

## UK Public Boards
No. of bargains included 3

Agricultural Mortgage Corp PLC 6¾% Deb Stk 92/94 - £90½ (6My92)
7¼% Deb Stk 91/93 - £96 ½
10¼% Deb Stk 92/95 - £98½
Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £57 (1My92)

## Foreign Stocks, Bonds, etc–(coupons payable in London)
No. of bargains included 78

Ireland(Republic of) 9¾% Stk 91/96 - £99⅝ (6My92)
Abbey National PLC 9⅞% Nts 1993 - $104⅛ ½ (5My92)
11⅝% Nts 1995 (Br£1000,10000&100000) - £100⅝
Abbey National Sterling Capital PLC 10⅜% Subord Gtd Bds 2002 (Br £ Var) - £101½
Argyll Group PLC 4½% Cnv Bds 2002 - £124¾
Associated British Ports Hldgs PLC 10⅞% Bds 2015(Br£10000&100000) - £96⅝ (5My92)
Banque Nationale De Paris 9½% Nts 1993 ...

European Investment Bank 9% Ln Stk 2001 (Reg) - £97⅝ ½ ⅝ 8
9% Ln Stk 2001 (Br£5000) - £98⅜
9½% Ln Stk 2009 - £100⅝ ⅝
10⅜% Ln Stk 2004(Reg) - £108½ ⅝ ⅝
11% Ln Stk 2002(Reg) - £109⅝ɸ 10⅝ɸ
11½% Ln Stk 2009 (Reg) - £113⅜ɸ ⅜ɸ ½ɸ
11½% Ln Stk 2009(Br£5000) - £113½ (6My92)
Hydro-Quebec 12.75% Ln Stk 2015 - £122⅜
15% Ln Stk 2011 - £137⅝ɸ
Inco Ld 15⅜% Uns Ln Stk 2008 $ Rep Opt - £124½ (1My92)
Inter-American Development Bank 9¾% Ln Stk 2015 - £102 ⅞
International Bank for Rec & Dev 9½% Ln Stk 2010(Reg) - £100¼ (6My92)
11.5% Ln Stk 2003 - £113⅝ 4⅝ ½
Malaysia 10⅜% Ln Stk 2009(Reg) - £101⅜ (5My92)
New Zealand 7⅞% Stk 88/92 - £99 (1My92)
11⅛% Stk 2008(Reg) - £110⅞ (5My92)
11⅞% Stk 2014(Reg) - £114⅝
Nova Scotia(Province of) 16¾% Ln Stk 2011 - £151 (5My92)
Petroleos Mexicanos 14½% Ln Stk 2006 - £112
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £91⅝ ⅝ 2
Province de Quebec 12¼% Ln Stk 2020 - £117⅞ (6My92)
Spain(Kingdom of) 11⅜% Ln Stk 2010(Reg) - £117⅞
Sweden(Kingdom of) 9¾% Ln Stk 2014(Reg) - £100ɸ
13.5% Ln Stk 2010(Reg) - £131⅝ ⅝ (6My92)
Trinidad & Tobago(Republic of) 12¼% Ln Stk 2009(Reg) - £103 (5My92)

## Listed Companies(excluding Investment Trusts)
No. of bargains included 47883

ABN-AMRO Hldgs N.V. Ord FL5 - £14.08 SF37.74 NG46.1 .2 .2 ¼ .29 .3 .35
ADT Ld Com Shs $0.10 - 455 7 65 70
AMEC PLC 15% Uns Ln Stk 1992 - £102⅜
API Group PLC 3.85% Cum Prf £1 - 60 (1My92)
...

Total Systems PLC Ord 5p - 35
Union Square PLC Ord 1p - 5 (5My92)
Wharfedale PLC Ord 5p - 20½ 1 2
Wyevale Garden Centres PLC 8.5% (Net) Cnv Cum Red Prf £1 - 174

## Rule 535(2)
No. of bargains included 50

Adam & Co PLC Ord £1 - £1.55 (5My92)
African Gold PLC Ord 1p - £0.115
Anglo American Agriculture PLC Ord 25p - £0.17 (1My92)
Biocure Holdings PLC Ord 1p - 55 (8My92)
Bowness Leisure PLC Ord £1 - £1 (1My92)
Celtech Ld Ord £1 - £2.05 2.15
Eternal Hldgs PLC Ord 10p - £5.03 (5My92)
Gander River Resources PLC Ord 5p - £0.1 (5My92)
Gurton Group Ld Ord 10p - £1.65
Historic City Developments PLC Ord 25p - £0.205 0.21
Hydro Hotel Eastbourne PLC Ord £1 - £3.2 (6My92)
Jersey Electricity Co 3½% Cum Non Ptg Prf £1 - £0.3
Jersey Gas Co Ld 3% Cum Prf £1 - £0.27
Kleinwort Benson(Int) Fund Man Japanese Fund - $0.6016 (1My92)
KB Gilt Fund - £13.82
Lawne Group PLC Ord £1 - £18.8 (1My92)
Le Riche's Stores Ld Ord £1 - £2.4ɸ
Liverpool FC & Athletic Grounds PLC Ord £5 - £550 (1My92)
MIM Britannia International Ld Japan Income & Growth - £1.181
National Westminster Jersey Fd Natwest Trustcor Natural Resources - £1.209 (5My92)
North West Exploration PLC Ord 30p - 1½ (1My92)
Panther Securities PLC Ord 25p - £3⅜

Shepherd Neame Ld "A" Ord £1 - £4.38 4.4 (1My92)
Southern Newspapers PLC Ord £1 - £2.4 2.46
Transatlantic Hldgs PLC Ord 50p - £2.8 - 2.74 2⅞ (8My92)
New Ord 50p (Nil Pd-15/5/92) - £0.03 0.05
Cnv Cum Prf 50p - £3.1 3.13 (5My92)
Unicorn Inns PLC Ord 25p - £0⅞ (1My92)
Vardon PLC Ord 25p - £0.475 0.495 0⅞
Weetabix Ld "A" Non.V Ord 25p - £11 11.1
Yates Bros Wine Lodges PLC Ord 25p - £0.95

### RULE 535 (4) (a)

**Bargains marked in securities where principle market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.**

Algoma Central Railway 400 (1/5)
Anglo-Alpha Ord R429
Cape Range Oil A$0.36 (5/5)
Chicago Milwaukee Corp 5.0 (5/5)
Churchill Resources A$0.209 (6/5)
City Developments S$4.20 (5/5)
Dainippon Screen Manufacturing Y901.639
Far East Hotels & Entertainment HK$0.76
Forest Laboratories $34.125
Idaho Power Co $25.625e (5/5)
Kulim Malaysia Ord 22 (1/5)
Leighton Hldgs A$1.51
Malayan Credit S$2.22
Mount Martin Gold Mines A$0.41
Niugini Mining A$2.99 (6/5)
Oil Search 34.0 (6/5)
Palabora Mining £11.25 (6/5)
Sappi Ltd 720 (1/5)
Storer Communications Skr323.5

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# Another closing record for the Footsie

By Steve Thompson

*JUST AS* the equity market was closing at a new all-time high, dealers were astonished to find that Goldman Sachs, one of the leading US investment banks, had swooped to execute one of the most sought-after bought deals in *the market. It placed Hanson's* 2.82 per cent stake in ICI, the chemicals giant. One of Goldman's fiercest rivals in the London market said the deal was; "a beautifully timed and beautifully executed piece of stockbroking."

*"I'm sure we'll see a burst of* takeover speculation in the so-called bid favourites when the market opens on Monday," was the reaction of a leading marketmaker to the news.

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings:* | | |
| Apr 27 | May 11 | Jun 1 |
| Option Declarations: | | |
| May 7 | May 28 | Jun 11 |
| Last Dealings: | | |
| May 8 | May 29 | Jun 12 |
| Account Day: | | |
| May 18 | Jun 8 | Jun 22 |

*New-time dealings may take place from 8.30 am two business days earlier.

Details of Goldmans' move were not known during market trading and therefore had no impact on the share prices of either company although traders said both stocks were being marked higher in unofficial trading. *Hanson* shares, basking in the afterglow of a £28m profit on the purchase and sale of the ICI shares, were being chased after-hours, dealers said.

The deal was seen as the icing on the cake for London's market operators after a another scintillating performance by the equity market. This week's half-point cut in domestic interest rates, a similar move by the French authorities to cut their own rates and evidence that the UK economy may be emerging from recession were the reasons behind some exceptionally heavy domestic and overseas buying of the London market.

The FT-SE 100 share index settled at a record high of 2,725.7, up 23.6 on the session, *having earlier raced up to an* peak of 2,734.8. Over the week, the index has risen 65.9 points, extending its gain since news of the Conservatives' general election victory to 289.3 points.

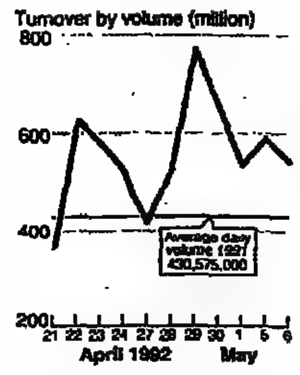
Dealers were surprised by the speed and substance of yesterday's gains. The Footsie opened more than 6 points down but the weakness lasted less than an hour. A surge in the Footsie future and heavy *overseas* buying followed the latest burst of strength in sterling. The buying drove the Footsie up to an intraday high of 2,734.8, up 32.9, before late profit-taking. The market's latest surge confounded many observers who had expected the last session of the account to trigger a burst of heavy profit-taking. Dealers were wary of *selling the market short.*

Yesterday's turnover, just short of 900m, backed up the argument that there has been a substantial inflow of foreign money into the UK market.

● Retail, or customer business, in London remained at an exceptionally high level, boosted by a series of big placings and big overseas buying.

**London SE volume**

Turnover by volume (million)



# Hanson sells its ICI stake

THE *London* market was shaken late yesterday by the news that *Hanson had* placed its 20m shares in ICI.

US broker Goldman Sachs said, after the market closed last night: "We can confirm that we purchased the shares. It is a deal worth approximately $500m (£280m)." Analysts said last night that the figure represented 1400p a share for Hanson.

*Goldman's bald statement* marks the end of a year of intense speculation that began when *UK securities house* Smith New Court raided the market to pick up the stock, which represents 2.82 per cent of ICI's equity, at 1194½p.

The first clue that something was afoot yesterday came in the London Traded Options market where, *unusually, Hanson* was the most heavily traded stock option.

*The* market was surprised that the shares were sold at a premium and this fuelled a strong belief that at least 10m shares went to US investors, who still believe the UK offers bargains, at 1410p a share.

Mr Charles Lambert, chemicals analyst *with Smith New* Court said yesterday: "The timing was very good and it was a gutsy deal. I think there was a general air of expectancy that something would happen but everyone believed the deal would be done at a discount to the market."

Hanson closed 2¾ better at 238½p with 18m shares traded while ICI ended the day 17 up at 1403p with a recorded turnover of 20m.

## P&O in demand

P&O turned out to be one of the star performers of the session as the shares raced forward on a combination of a broker's recommendation, a shortage of stock and an upbeat AGM statement. The day's advance started after *agency broker James Capel* reiterated its buy recommendation on the stock, with analyst Ms Yasmin Harrison saying: "It's a cheap recovery stock with most of the uncertainty now out of the way."

Demand was further boosted by a positive statement at the company's annual meeting. A squeeze developed around lunchtime with one marketmaker reported to have been caught short which led briefly to a 'backwardation', a point at which the highest bid is above the best offer in the market. The shares eventually closed up 22 at 540p, on turnover of 3.5m shares.

*Vodafone retreated after a* bright start on news that Cellnet was planning to introduce *its GSM digital cellular net*work next year, 12 months ahead of schedule. The Cellnet announcement was seemingly made at a staff conference, where it was also stated that price cuts would be introduced at the same time. Vodafone shares, which touched 372p, closed at 369p, up 5 on the day, in busy volume of 6.4m.

*Overseas buyers were keen* on British Telecom partly paid, the shares advancing 5 to *132½p in hectic turnover of* 36m. BT fully-paid rose 6 to 363½p with 8.9m dealt.

Investors continued to bail out of BP following disappointing first-quarter figures on Thursday, the shares falling 8 to 251½p – the biggest percentage fall of any of the stocks in the FT-SE Index – with 24m traded.

The stock was said to have received some support from *securities house* Hoare Govett but most analysts were increasingly bearish with *Nomura the latest to cut its* profit forecast. Dealers also said that Standard & Poors, the US credit rating agency had put the company on "downgrade alert".

British Gas fell 4½ to 256½p against the trend amid fears about the impact of possible future price cuts.

Reed International gained 18 *to 593p, helped by a research* note by investment bank S. G. Warburg and a stock *shortage. Central Television* jumped 35 to 1433p helped by a more positive recommendation from Kleinwort Benson's media team which put the company on its buy list and raised its 1992 profit forecast to £38.5m.

Cadbury-Schweppes were active, on turnover of 4.2m shares, climbing 17 to 487p, as bid speculation increased after Hanson disposed of its investment in ICI.

Hillsdown slipped 5 to 180p, as a hefty 7.3m shares were *traded. Unilever rose 14 to 944p* ahead of next Friday's first quarter results.

Asda was again very active, as 38m shares changed hands, with the price rising ¾ to 28¾p. J. Sainsbury improved 4½ to 437p ahead of next week's results, while Shoprite continued to weaken on profit-taking, sliding 20 to 467p. *Sears, which reported disappointing* profits this week, rose 2 at 99p, recovering part of *Thursday fall*, on turnover of 21m shares.

A squeeze in BAA as the company agreed an office development deal with British Airways sent the shares climbing 16 to 645p. But continued talk of a rights issue at BA *weakened the shares and they* eased a penny to 283p. Tiphook jumped 17 to 446p, following a buy recommendation from County NatWest.

Economic optimism boosted the engineering and motor sectors. The day's outstanding performances included IMI, up 6 to 287p, after a favourable annual meeting, Smiths Industries, 11 better at 335p, as the company continued making presentations to investors and BBA Group, *11 harder* at 157p. Vickers also jumped 11, to 173p, after Albert E Sharp, the Midland-based broker was reported to have increased its current year forecast by £9m to £30m after a visit to the company.

The brewing and drinks sector was very firm. Grand Metropolitan gained 10 to 510p, with *Allied-Lyons* up 9 at 638p and Guinness 4 higher at 632p, following a recommendation from Daiwa. Mr Dermot Carr, drinks analyst at the Japanese securities house, said EC draft proposals for harmonisation of spirits excise duty across Europe should boost the shares in these companies, although be pointed out there is some *disagreement over the minimum* duty rate.

Several leading brewers, including Allied, Grand Met and Bass, rising 8 to 645p, report their results in the next two weeks and are expected to make encouraging statements about economic recovery. Hoare Govett also issued a buy recommendation for Allied and Guinness, plus Bass.

French stockbroker Strauss Generale Strauss Turnbull's insurance analyst spoke at the morning meeting in favour of Commercial Union (up 4 at 500p) and against Royal Insurance (down 3 at 229p)

**MARKET REPORTERS:**
**Christopher Price,**
**Joel Kibazo,**
**Colin Milham, Peter John,**

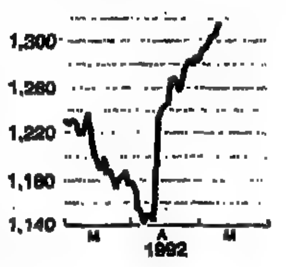
■ Other market statistics, Page 8.

## NEW HIGHS AND LOWS FOR 1992

## RISES AND FALLS YESTERDAY

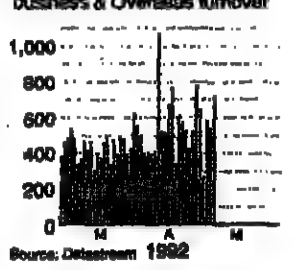
| | On Friday Rises | On Friday Falls | On Friday Same | On the week Rises | On the week Falls | On the week Same |
|---|---|---|---|---|---|---|
| British Funds | 30 | 2 | 47 | 155 | 55 | 106 |
| Other Fixed Interest | 5 | 1 | 11 | 18 | 21 | 29 |
| Commercial, Industrial | 572 | 165 | 715 | 1,930 | 770 | 3,112 |
| Financial & Property | 205 | 77 | 510 | 978 | 299 | 1,885 |
| Oil & Gas | 22 | 22 | 44 | 82 | 70 | 200 |
| Plantations | 0 | 1 | 8 | 1 | 2 | 33 |
| Mines | 21 | 32 | 94 | 102 | 120 | 366 |
| Others | 36 | 48 | 52 | 182 | 186 | 189 |
| Totals | 891 | 348 | 1,481 | 3,448 | 1,523 | 5,920 |

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream 1992

## FINANCIAL TIMES STOCK INDICES

## GILT EDGED ACTIVITY

## TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

## EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures powered ahead to reach record levels in busy trading which saw the June contract on the FT-SE trade at a premium through out the session, writes Joel Kibazo.

Having opened at 2,733, a *squeeze in June developed* within the first hour as dealers rushed to cover short positions. The squeeze sent June soaring and at the day's best a premium of 47 points to the underlying cash market was recorded. The day's high of 2,672 was reached at around 1.30pm.

The market witnessed some large trades particularly from the big investment houses such as James Capel in the *dying minutes of the session.*

June eventually closed at 2,766, a record high and up 25 on the previous session, and around 23 points above its estimated premium to cash of about 18.

The LTOM also put in a strong performance with turnover reaching 40,896 contracts, with the FT-SE option recording a day's total of 11,372 lots.

Hanson, a strong feature in the equity market, was the day's top traded stock option. It traded 2,898 lots with the August 240 calls the most active. It was followed by British Gas, at 2,528. BP, Asda and Midland Bank were also busy.

## FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Thursday May 7 1992

| | | | |
|---|---|---|---|
| Water | + 32.98 | Electricals | + 13.20 |
| Motors | + 32.51 | Stores | + 12.93 |
| Textiles | + 28.53 | Industrial Group | + 12.52 |
| Other Industrial Materials | + 24.57 | Other Groups | + 12.32 |
| Building Materials | + 24.44 | 500 Share Index | + 10.44 |
| Capital Goods | + 22.76 | All-Share Index | + 9.96 |
| Metals & Metal Forming | + 21.25 | Electricity | + [illegible] |
| Contracting, Construction | + 20.98 | Consumer Group | + 9.13 |
| Engineering-Aerospace | + [illegible] | Investment Trusts | + 7.91 |
| Packaging, Paper & Printing | + 20.30 | Financial Group | + 7.03 |
| Engineering-General | + 19.92 | Insurance (Composite) | + 6.39 |
| Electronics | + 19.50 | Business Services | + 5.95 |
| Media | + 19.40 | Food Manufacturing | + 4.39 |
| Hotels & Leisure | + 18.32 | Telephone Networks | + 3.00 |
| Food Retailing | + 16.99 | Insurance (Life) | + 2.82 |
| Transport | + 16.32 | Insurance Brokers | + 0.65 |
| Brewers and Distillers | + 15.08 | Health & Household | + 3.64 |
| Chemicals | + 14.73 | Oil & Gas | + 5.06 |
| Merchant Banks | + 14.70 | Property | + 9.10 |
| Conglomerates | + 14.19 | Gold Mines Index | + 19.29 |
| Banks | + 13.35 | | |

## BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 105.2815 | +0.338 | 9.20 | 9.41 | [illegible] |
| BELGIUM | | 9.000 | 06/01 | 101.3000 | - | 8.50 | 8.60 | [illegible] |
| CANADA * | | 8.500 | 04/02 | [illegible] | -0.200 | 8.72 | 8.75 | [illegible] |
| DENMARK | | 9.000 | 11/00 | 101.1500 | -0.120 | 8.00 | 8.61 | [illegible] |
| FRANCE | BTAN | 8.500 | 03/97 | 98.9755 | -0.264 | 8.75 | 8.48 | [illegible] |
| | OAT | 8.500 | 11/02 | 99.0681 | -0.161 | 8.62 | 8.70 | [illegible] |
| GERMANY | | 8.000 | 01/02 | [illegible] | -0.130 | 7.98 | 7.98 | [illegible] |
| ITALY | | 12.000 | 02/02 | 98.7400 | +0.010 | 12.221 | 12.38 | [illegible] |
| JAPAN | No 119 | 4.800 | 06/99 | 94.6773 | +0.099 | 5.60 | 5.07 | [illegible] |
| | No 129 | 6.400 | 03/00 | 104.4814 | +0.139 | 5.58 | [illegible] | [illegible] |
| NETHERLANDS | | 8.250 | 02/02 | 99.4650 | -0.115 | 8.32 | 8.34 | [illegible] |
| SPAIN | | 11.300 | 01/02 | 102.2800 | -0.120 | 10.90 | 10.62 | [illegible] |
| UK GILTS | | 10.000 | 11/96 | 102-30 | +00/32 | 9.27 | 9.27 | [illegible] |
| | | [illegible] | 05/02 | 103-29 | -01/32 | 9.15 | 9.13 | [illegible] |
| | | 9.000 | 10/08 | 99-26 | -02/32 | 9.04 | 9.03 | [illegible] |
| US TREASURY * | | 7.500 | 11/01 | 100-01 | -08/32 | 7.50 | 7.55 | [illegible] |
| | | 8.000 | 11/21 | 100-01 | -11/32 | 8.00 | 8.01 | [illegible] |
| ECU (French Govt) | | 8.500 | 03/02 | 99.0400 | -0.050 | 8.64 | 8.76 | [illegible] |

London closing, *denotes New York morning session. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

WEEK IN THE MARKETS

# Coffee and cocoa at fresh lows

THE SEEMINGLY inexorable slide in coffee prices remained the outstanding feature of the commodities market this week. With technical chart signals still pointing downwards, fun*damentals bearish and further* heavy producer sales expected it was no surprise to see London Futures and *Options* Exchange coffee values fall to fresh 22-year lows.

In New York, where the arabica variety grown chiefly in Latin America is traded, the market steadied towards the end of the week on news that Brazilian exporters will seek emergency measures to boost prices at a meeting with their government next *Monday;* there was also talk of Colombia taking a hand in action to stabilise prices. But that factor had little impact on the contract in, mainly African, robusta coffee that is traded in London.

A $17 fall yesterday *left* the July robusta futures price at $676 a tonne, down $52 on the week and $320 since the beginning of this year.

*Stocks of coffee* held in importing countries have reached 19m bags (60 kg each), about twice the required level, according to Mr Peter Kettle, analyst with E.D. & F. Man, the London trade house. Against this background, "producers have to sell for what they can get," commented Mr Lawrence Eagles, analysts with London futures broker GNI.

The same situation applies at *present* in the cocoa market. Consumers, already well covered and aware that a rally of *any size would be likely to* prompt heavy producer selling, are in no rush to buy. So modest producer *selling this week* from the Ivory Coast, the biggest producer, and Ghana was enough to send prices to fresh 16½-year lows. The London market's July futures position touched £557 a tonne yesterday, before closing at £565 a tonne, down £24 on the week.

At the London Metal Exchange the technical tightness that has been *distorting* the price structure of the zinc market for some time at last showed signs of easing, but not before it had driven the back*wardation (cash premium)* against three months metal to $106 a tonne. In normal circumstances forward *metal* would be at a premium to cash, reflecting the cost of holding physical metal – principally warehousing charges, insur*ance and lost interest on capi*tal employed. The reversal of that price relationship is associated with inadequate availability of metal for immediate delivery, but with LME warehouse stocks of zinc standing at a record level – they rose this week by 1,000 tonnes to 245,775 tonnes – the apparent shortage has inevitably aroused suspicions of market manipulation.

| LME WAREHOUSE STOCKS (As at Thursday's close) tonnes | | |
|---|---|---|
| Aluminium | +15,250 | to 1,231,750 |
| Copper | -4,300 | to 275,350 |
| Lead | -175 | to 134,975 |
| Nickel | +252 | to 26,730 |
| Zinc | +1,000 | to 245,775 |
| Tin | -105 | to 11,955 |

As nervousness about the threatened supply squeeze faded the cash price became vulnerable to the *bearish* fundamental and technical considerations that had begun to *depress the three* months price last week. Falls over the past three days cut the price by $38 a tonne and narrowed its premium over three months metal *to $82 a tonne. Cash zinc closed* yesterday at $1,349.50 a tonne, down $22 on the week, while the *three* months price was at $1,267.50 a tonne, down $25.

The LME's strongest market was tin, where prices reached the highest levels for 13 *months. Yesterday's announce*ment of a 105-tonne fall in exchange warehouse stocks to 11,955 tonnes and news of Brazilian plans to cut output helped to push the cash price to $5,977.50 a tonne, up $107.50 on the week. And the three months price got tantalisingly close to the $6,000 a tonne that traders have identified as the "near-term target", before ending $95 up at $5,982.50 a tonne.

Copper prices reversed early *falls to end higher on the* week. The cash price rose £8.25 to £1,240.25 a tonne yesterday, encouraged by news of a 4,300-tonne LME stocks fall to 275,350 tonnes.

In contrast aluminium stocks showed a rise of 15,250 tonnes to a new record of 1,231,750 tonnes. But that appeared to be shrugged off and the cash price ended the week $7.50 up at $1,297 a tonne.

Silver was the strongest of *the precious metals markets,* putting on 6 cents yesterday to end 10 cents up on the week at $4.12 a troy ounce. Traders said the rise was influenced by posi*tive technical factors* and a renewal of optimism about prospects for an economic recovery in the US, which was given further encouragement yesterday by the announcement of a bigger-than-expected rise in US non-farm employ*ment in April. US traders* pointed out, however, that there was stiff resistance around $4.15 an ounce.

**Richard Mooney**

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## AUTHORISED UNIT TRUSTS

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### AIB Unit Trust Managers Limited (1000)F

### Abbey Unit Tst Mngrs (1000)H

### Aberforth Unit Trust Managers Ltd (1600)F

### Abtrust Unit Trust Managers Ltd (1200)H

### Brown Shipley & Co Ltd—Contd.

### Brycourt Unit Tst Mgmt Ltd (1400)F

### Buckmaster Mangmt Co Ltd (1200)H

### Burrage Unit Tst Mangmt Ltd (0905)F

### CCL Unit Trusts Ltd (1400)F

### CIS Unit Managers Ltd (1000)F

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

**INITIAL CHARGE:** [illegible]

**OFFER PRICE:** [illegible]

**BID PRICE:** [illegible]

**CANCELLATION PRICE:** [illegible]

**TIME:** [illegible]

**HISTORIC PRICING:** [illegible]

**FORWARD PRICING:** [illegible]

**SCHEME PARTICULARS AND REPORTS:** [illegible]

[illegible]

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M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc—Contd.

Chiltern Life

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd

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Abbey Life Assurance Co Ltd

## OTHER UK UNIT TRUSTS

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Norwich Union Life Insurance Soc.—Contd.** | | | | |
| Pensionmaster* & Unit-Linked Plus* | | | | |
| Mixed Fund | 465.3 | 489.8 | +3.3 | - |
| Ordinary Share Fund | 723.8 | 761.9 | +5.9 | - |
| International Fund | 169.3 | 178.2 | +1.6 | - |
| Property Fund | 259.6 | 273.3 | +0.2 | - |
| Fixed Interest Fund | 407.3 | 428.7 | +0.5 | - |
| Index-Linked Sec. Fund | 192.6 | 202.7 | +2.1 | - |
| Deposit Fund | 281.6 | 296.4 | +0.3 | - |
| Norwich Units Apr 22 | 1116.59 | | .. | - |
| *Prices as at May 7 | | | | |
| Jersey Investment Plan | | | | |
| With Profits Fund | 124.31 | 130.85 | +0.03 | - |
| Intl Equity Fund | 93.52 | 98.44 | -0.30 | - |
| Intl Bond Fund | 117.96 | 124.17 | -0.15 | - |
| **Norwich Union Pensions Management Ltd** | | | | |
| Surrey Street Norwich NR1 3NG 0603 683335 | | | | |
| Group Pooled Pensions | | | | |
| Balanced Managed Fd | 335.91 | 341.48 | +1.31 | - |
| Growth Managed Fd | 112.40 | 114.38 | +0.30 | - |
| Sentinel Managed Fd | 108.98 | 110.35 | +0.33 | - |
| Prices as at May 7 | | | | |
| **Pearl Assurance (Unit Funds) Ltd** | | | | |
| Lynch Wood, Peterborough PE2 6FY 0733 470470 | | | | |
| Property Dist (Gross) | 134.3 | 141.4 | +0.1 | - |
| Property Acc (Gross) | 256.0 | 269.4 | | - |
| Equity (Gross) | 928.3 | 977.1 | -0.5 | - |
| Managed (Gross) | 639.5 | 673.1 | -0.3 | - |
| Property Acc (Net) | 122.3 | 128.7 | .. | - |
| Equity (Net) | 214.1 | 225.3 | -0.1 | - |
| Managed (Net) | 196.0 | 206.3 | -0.1 | - |
| International (net) | 168.6 | 177.5 | -0.7 | - |
| Gilt & Fixed Interest | 139.1 | 146.5 | +0.1 | - |
| Money Fund | 138.5 | 145.8 | | - |
| Mixed Fund (Cap) | 121.5 | 127.9 | ... | - |
| Mixed Fund (Acc) | [illegible] | 131.8 | ... | - |
| Adventurous Managed | 96.5 | 101.6 | +1.0 | - |
| Cautious Managed | [illegible] | 100.2 | +0.1 | - |
| Pearl Assurance (Unit Linked Pens) Ltd | | | | |
| Ret Man (Series 1) | 696.6 | 733.3 | [illegible] | - |
| Ret Man (Series 2) | 236.2 | 248.7 | -0.1 | - |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Provident Mutual Life Asce. Assn.—Contd.** | | | | |
| Index Linked Gilt Init. | 124.5 | 131.1 | +0.3 | - |
| Overseas Equity Ord. | 271.6 | 285.9 | -1.2 | - |
| Overseas Equity Init. | 199.1 | 209.6 | -0.9 | - |
| Property Ord | 220.7 | 232.3 | +0.1 | - |
| Property Init. | 161.8 | 170.3 | .... | - |
| Fixed Interest Ord. | 225.7 | 237.6 | +0.2 | - |
| Fixed Interest Init. | 165.5 | 174.2 | +0.2 | - |
| Deposit Ord. | 185.2 | 194.9 | | - |
| Deposit Init. | 135.8 | 142.9 | +0.1 | - |
| Pension Funds | | | | |
| Managed Ord. | 474.8 | 499.8 | ... | - |
| Managed Init. | 348.0 | 366.3 | -0.1 | - |
| Equity Ord. | 747.1 | 786.4 | +0.8 | - |
| Equity Init. | 547.7 | 576.5 | +0.6 | - |
| Pen Ind Lkd Gilt Ord. | 183.1 | 192.7 | +0.3 | - |
| Pen Ind Lkd Gilt Init. | 140.2 | 147.6 | +0.2 | - |
| Overseas Equity Ord. | 308.8 | 325.1 | -1.5 | - |
| Overseas Equity Init. | 226.4 | 238.3 | -1.1 | - |
| Property Ord. | 278.7 | 293.4 | .. | - |
| Property Init. | 204.3 | 215.1 | ... | - |
| Fixed Interest Ord | 286.5 | 301.6 | +0.4 | - |
| Fixed Interest Init. | 210.0 | 221.1 | +0.4 | - |
| Deposit Ord. | 265.0 | 278.9 | [illegible] | - |
| Deposit Init. | 194.3 | 204.5 | +0.1 | - |
| **Prudential Assurance Co** | | | | |
| Holborn Bars, London EC1N 2NH 071-405 9222 | | | | |
| Prufund | | | | |
| Managed Mar 22 | 266.1 | 277.2 | .. | - |
| **Prudential Corporate Pension Funds** | | | | |
| 1 Stephen St, London W1P 2AP 071-548 3281 | | | | |
| Prudential Managed Funds | | | | |
| Discretionary May 06 | £190.90 | 196.83 | | - |
| Equity May 06 | £220.77 | 228.31 | .. | - |
| International May 06 | £27.63 | 28.22 | .... | - |
| Intl Bond May 06 | £14.33 | 14.51 | ... | - |
| Fixed Int May 06 | £103.91 | 105.08 | ... | - |
| Index Linked May 06 | £74.22 | 75.15 | ... | - |
| Property May 06 | £109.36 | 115.39 | ... | - |
| Cash May 06 | £30.3763 | 30.3763 | .... | - |
| Pru-Linked Retirement Plan | | | | |

| | Bid Price | Offer Price |
|---|---|---|
| **Scottish Amicable** | | |
| 150 St Vincent St, Glasgow | | |
| Life Funds (First Series) | | |
| Managed | [illegible] | 373.[illegible] |
| Equity | 470.3 | 495.[illegible] |
| Property | 230.4 | 242.[illegible] |
| International | 305.0 | 321.[illegible] |
| Japanese | 77.6 | 81.[illegible] |
| Asia Pacific | 105.2 | 110.[illegible] |
| European | 99.6 | 104.[illegible] |
| American | 104.9 | 110.[illegible] |
| Fixed Interest | 294.4 | 309.[illegible] |
| Index-Linked Gilt | 155.8 | 164.[illegible] |
| Cash | 207.3 | 218.[illegible] |
| Life Funds (Second Series) | | |
| Managed | 98.1 | 103.[illegible] |
| Equity | 100.6 | 105.[illegible] |
| Property | 92.2 | 101.[illegible] |
| International | 93.8 | 98.[illegible] |
| Japanese | 77.3 | 81.[illegible] |
| Asia Pacific | 102.6 | [illegible] |
| European | 97.7 | 102.[illegible] |
| American | 101.9 | 107.[illegible] |
| Fixed Interest | 110.1 | 115.[illegible] |
| Index-Linked Gilt | 99.1 | 104.[illegible] |
| Cash | 102.3 | 107.[illegible] |
| Pension Funds | | |
| Building Society | 160.5 | 169.[illegible] |
| Managed (Init) | 212.4 | 223.[illegible] |
| Managed (Acc) | 393.9 | 414.[illegible] |
| Equity (Init) | 258.4 | 272.[illegible] |
| Equity (Acc) | 479.2 | 504.[illegible] |
| Property (Init) | 151.3 | 159.[illegible] |
| Property (Acc) | 278.7 | 293.[illegible] |
| International (Init) | 180.5 | 190.[illegible] |
| International (Acc) | 334.8 | 352.[illegible] |
| Fixed Interest (Init) | 196.7 | 207.[illegible] |
| Fixed Interest (Acc) | 364.8 | 384.[illegible] |
| Cash (Init) | 152.1 | 160.[illegible] |
| Cash (Acc) | 282.0 | 297.[illegible] |
| **Scottish Equitable Life Assce. Soc.** | | |
| 28 St Andrew Sq, Edinburgh | | |

[illegible]

## OFFSHORE INSURANCES

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

[illegible]

### CANADA (SIB RECOGNISED)

[illegible]

### GUERNSEY (SIB RECOGNISED)

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (SIB RECOGNISED)

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

### ISLE OF MAN (SIB RECOGNISED)

[illegible]

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## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

# WORLD STOCK MARKETS

## INDICES

### NEW YORK

| DOW JONES | May 7 | May 6 | May 5 | May 4 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 3363.37 | 3369.41 | 3359.35 | 3378.13 | 3378.13 (4/5) | 3172.41 (2/1) | 3378.13 (4/5/92) | 41.22 (2/7/32) |
| Home Bonds | 99.38 | 99.20 | 99.37 | 99.36 | 99.81 (6/2) | 98.41 (20/3) | 99.81 (6/2/92) | 54.99 (1/10/81) |
| Transport | 1394.99 | 1407.70 | 1394.25 | 1380.79 | 1467.68 (20/2) | 1301.57 (8/4) | [illegible] (5/9/89) | 12.32 (8/7/32) |
| Utilities | 213.45 | 214.32 | 213.82 | 212.19 | 225.59 (3/1) | 200.74 (8/4) | 236.23 (2/1/90) | [illegible] (8/4/32) |

♦Day's High 3390.65 (3398.70) Low 3343.25 (3346.60)

### STANDARD AND POOR'S

| | May 7 | May 6 | May 5 | May 4 | 1992 HIGH | 1992 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 415.85 | 416.79 | 416.84 | 416.91 | 420.77 (15/1) | 394.50 (8/4) | [illegible] (15/1/92) | 4.40 (1/6/32) |
| Industrials | 492.68 | 493.50 | 493.78 | 494.19 | 499.27 (15/1) | 470.91 (8/4) | 499.27 (15/1/92) | 3.62 (21/6/32) |
| Financial | 35.06 | 35.17 | 34.98 | 34.82 | 35.17 (6/5) | 32.40 (8/4) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 229.08 | 229.56 | 229.50 | 229.42 | 231.85 (15/1) | 217.92 (8/4) | 231.85 (15/1/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | [illegible] | 393.77 | 393.17 | 391.61 | 418.99 (12/2) | 380.90 (8/4) | 418.99 (12/2/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 587.16 | 589.36 | 588.07 | 583.54 | 644.92 (12/2) | 560.33 (28/4) | 644.92 (12/2/92) | 54.87 (31/10/72) |

| | May 1 | Apr 24 | Apr 10 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.79 | 2.80 | 2.85 | [illegible] |

| | May 6 | Apr 29 | Apr 22 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | [illegible] | 2.62 | 2.63 | 2.78 |
| S & P Indl. P/E ratio | 29.29 | 28.96 | 28.80 | [illegible] |

### NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Glaxo | 2,066,600 | 27½ | - ¼ |
| Sears | 1,949,700 | 42 | - 1⅞ |
| IBM | 1,892,600 | 93⅝ | + 1½ |
| Global Mar | 1,695,300 | 1¼ | + ⅛ |
| Gen Motors | 1,620,500 | 39⅞ | - ⅝ |
| AT & T | 1,526,100 | 44 | - ¼ |
| Saatchi | 1,518,900 | 1⅛ | .. |
| Chase Man | 1,497,100 | 28⅝ | + ⅜ |
| Boeing | 1,383,900 | 44¼ | + ⅞ |
| Baker Hugh | 1,245,400 | 21⅞ | + ⅞ |

### TRADING ACTIVITY

| † Volume (Millions) | May 7 | May 6 | May 5 |
|---|---|---|---|
| New York SE | 168.910 | 199.070 | 198.860 |
| Amex | 15.506 | 16.807 | 11.919 |
| NASDAQ | 170.280 | 171.416 | 169.937 |
| **NYSE** | | | |
| Issues Traded | 2,230 | 2,248 | 2,242 |
| Rises | 814 | 1,013 | 938 |
| Falls | 824 | 683 | 780 |
| Unchanged | 592 | 552 | 524 |
| New Highs | 86 | 98 | 76 |
| New Lows | 7 | 5 | 10 |

### CANADA

| TORONTO | May 7 | May 6 | May 5 | May 4 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2985.60 | 2967.75 | 2971.46 | 2994.56 | 3238.87 (16/1) | 2828.26 (8/4) |
| Composite | 3362.90 | 3361.30 | 3364.50 | 3363.50 | 3666.00 (16/1) | 3318.10 (8/4) |
| MONTREAL Portfolio | 1755.35 | 1755.54 | 1758.45 | 1755.35 | 1937.59 (16/1) | 1727.04 (8/4) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

| | May 8 | May 7 | May 6 | May 5 | 1992 HIGH | 1992 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1663.6 | 1665.9 | 1668.9 | 1665.5 | 1675.60 (15/1) | 1545.30 (9/4) |
| All Mining (1/1/80) | 698.5 | 701.7 | 703.0 | 705.9 | 717.20 (25/2) | 660.30 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 408.01 | 409.97 | 407.38 | 404.24 | 458.57 (24/2) | 372.24 (2/1) |
| Traded Index (2/1/91) | 971.83 | 975.01 | 966.76 | 955.30 | 1099.43 (24/2) | 901.64 (2/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1218.99 | 1211.36 | 1198.27 | 1199.27 | 1234.72 (3/3) | 1097.23 (8/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 339.98 | 337.66 | 336.02 | 334.52 | 365.29 (15/1) | 326.35 (9/4) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 861.7 | 862.4 | 850.8 | 838.3 | 935.90 (24/2) | 778.30 (9/4) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | (c) | 549.31 | 548.96 | 537.25 | 551.25 (5/5) | 475.53 (2/1) |
| CAC 40 (31/12/87) | (c) | 2063.40 | 2047.15 | 2046.93 | 2063.40 (7/5) | 1749.91 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 706.62 | 706.80 | 704.70 | 698.00 | 715.44 (3/3) | 643.26 (8/1) |
| Commerzbank (1/12/53) | 1989.8 | 1991.1 | 1984.9 | 1964.8 | 2026.70 (3/3) | 1813.80 (8/1) |
| DAX (30/12/87) | 1748.18 | 1750.81 | 1743.50 | 1732.64 | 1764.80 (5/5) | [illegible] |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 5608.19 | 5629.58 | 5581.20 | 5631.21 | 5631.21 (5/5) | 4301.78 (2/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1432.84 | 1427.64 | 1422.92 | 1446.59 | 1469.57 (17/1) | 1346.61 (3/4) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 493.33 | 497.41 | 495.75 | 492.18 | 551.59 (6/2) | 492.18 (5/5) |
| MIB General (2/1/92) | 973.0 | 982.0 | 978.0 | 971.0 | 1086.00 (5/2) | 971.00 (5/5) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 18375.95 | 18410.88 | 17878.66 | (c) | 23801.18 (6/1) | 16598.15 (9/4) |
| Tokyo SE (Topix) (4/1/68) | 1374.38 | 1374.70 | 1339.43 | (c) | 1763.43 (6/1) | 1196.19 (9/4) |
| 2nd Section (4/1/68) | 1973.28 | 1951.73 | 1931.04 | (c) | 2459.85 (6/1) | 1910.56 (9/4) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 605.71 | 603.56 | 604.46 | 603.02 | 619.06 (28/2) | 546.63 (14/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tot.Rtn.Gen (End 1983) | 305.1 | 304.9 | 305.4 | 304.0 | 305.40 (4/5) | 274.00 (8/1) |
| CBS All Shr (End 1983) | 212.3 | [illegible] | 213.3 | 212.4 | 213.40 (4/5) | 192.40 (8/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 764.43 | [illegible] | 760.28 | 760.65 | 766.04 (7/5) | 667.88 (25/2) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1235.02 | 1231.45 | 1209.74 | 1245.52 | 1303.30 (17/1) | 1083.01 (17/3) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 394.66 | 394.65 | 394.53 | 398.48 | 416.99 (21/1) | 378.13 (9/4) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1075.0 | 1072.0 | 1074.0 | 1051.0 | 1327.00 (21/1) | 1006.00 (24/4) |
| JSE Industrial (28/9/78) | [illegible] | 4461.0 | 4453.0 | 4408.0 | 4535.00 (15/1) | 4169.00 (2/1) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 599.25 | 603.34 | 611.85 | (c) | 691.48 (8/2) | 569.65 (10/4) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 254.91 | 251.46 | 250.11 | 249.17 | 266.51 (28/2) | 238.93 (2/1) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 1009.70 | 1007.90 | 1004.30 | 993.70 | 1009.70 (20/3) | 913.70 (2/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | (u) | 868.5 | 870.0 | 863.5 | 870.00 (6/5) | 748.50 (8/1) |
| SBC General (1/4/87) | (u) | 672.0 | 672.4 | 667.1 | 672.40 (6/5) | 601.10 (8/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 4462.61 | 4481.29 | 4482.25 | 4536.53 | 5391.63 (30/1) | 4405.44 (13/4) |
| **THAILAND** | | | | | | |
| Bangok SET (30/4/75) | 732.89 | 710.72 | 717.62 | (c) | 832.39 (7/4) | 710.72 (7/5) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 503.4* | 505.2 | 502.4 | 497.9 | 542.10 (7/1) | 467.50 (8/4) |
| Euro Top-100 (26/6/90) | 970.51 | 966.61 | 962.61 | 955.83 | 970.51 (8/5) | 870.31 (2/1) |

**Saturday May 2: Taiwan Weighted Price 4532.53, Korea Comp Ex. 614.95. *Calculated at 15.00 GMT.
♦ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable. † Correction.

AMERICA

# Dow subdued as rate cut hopes fade

### Wall Street

US EQUITIES traded in a narrow range as stronger payroll figures for April dampened hopes that the Federal Reserve would make an early cut in interest rates, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.95 higher at 3,372.32 on paltry turnover of less than 105m shares. Advancing broadly equalled declining issues at midsession. The Standard & Poor's 500 was 0.60 higher at 416.45 and the Nasdaq composite eased 0.36 to 586.80. On Thursday, the Dow closed 6.04 lower at 3,363.37.

Evidence of a slow but steady economic recovery was provided by the employment report for April, which showed an increase in non-farm payrolls of 126,000, considerably above most predictions. The civilian unemployment rate fell to 7.2 per cent from 7.3 per cent and the March non-payroll increase was revised to 39,000 from 19,000.

The employment report stifled speculation that the Federal Reserve would ease monetary policy. Yesterday the Fed signalled that its policy was on hold by arranging $1.5bn of customer repurchase agreements. The operation, which adds reserves to the banking system, occured when Fed Funds were trading at 3¾ per cent, the Fed's perceived target for the rate.

Pinelands soared $5⅝ to $17⅝ in active trading on reports that the New Jersey-based television station operator had accepted a takeover offer of $18 a share from Chris-Craft Industries. Shares in Chris-Craft fell $⅝ to $26⅞.

Trading was heavy in a number of blue chip stocks including Boeing, unchanged at $44⅜, IBM, off $¼ to $93⅜ and Chase Manhattan, up $⅜ at $29⅝.

Liz Claiborne rose $1½ to $37¼ after the apparel company said it had offered to buy the operating assets of Russ Togs, which is operating under protection of Chapter 11 of the bankruptcy code.

The transportation sector reversed its previous day's losses with the Dow Jones Transportation Average climbing 10.09 to 1,405.08 at 12.30 pm. Airline issues were mixed, with AMR, parent of American Airlines, up $⅝ to $69¼, Delta Air Lines adding $⅝ to $62 and UAL, parent of United Airlines off $⅛ to $124⅜.

Railroad stocks, which contributed to the average's decline on Thursday, turned higher. Burlington Northern added $¼ to $45⅞, Norfolk Southern rose $⅝ to $64⅜ and Consolidated Rail firmed $1⅝ to $91⅝.

Transco Energy climbed $1⅝ to $13¼ after the natural gas and coal producer said it expects to take a first quarter charge of 66 cents a share to settle a lawsuit with Global Marine.

In over-the-counter trading, Sun Microsystems improved $⅞ to $30⅞ after an analyst at Morgan Stanley upgraded his rating on the stock to "buy" from "hold".

American Funeral Services was quoted at $10¼. An initial public offering of 1.8m shares was priced at $10 a share.

### Canada

TORONTO was higher at midsession following a rise in US bond prices. The TSE 300 composite index rose 16.2 to 3,379.1. Advances led declines 218 to 172 in volume of 14.2m shares valued at C$184.9m.

EUROPE

# Milan weighed down by further cash calls

FURTHER cash calls depressed Milan yesterday while the end of the public sector strike failed to lift Frankfurt. Paris was closed for a holiday, *writes Our Markets Staff.*

FRANKFURT reacted with uncertainty to the settlement in the public sector pay dispute. Some analysts noted that the agreement was a rebuff to the government's efforts to keep wage rises below 5 per cent and that it would give private sector workers the incentive to seek similar rises. The metal unions are due to ballot members on strike action next week.

The DAX index closed down 2.63 at 1,748.18, but was 0.8 per cent higher on the week. The FAZ index was 0.18 lower at 706.62, a gain of 0.8 per cent on the week. Turnover fell to DM5.8bn from DM6.5bn.

Volkswagen advanced DM4.80 or 1.2 per cent to DM393.60, following positive results earlier this week which prompted analysts to increase their 1992 profit forecasts.

BMW was also firmer, up DM8.50 to DM586 ahead of next Tuesday's annual meeting, while Mercedes rose DM8 to DM605 after forecasting good 1992 prospects at its commercial vehicle division.

However, MAN, which expects sales at its truck arm for the year ending June 1992 to be up 14 per cent, lost DM8 to DM375.50. Some analysts said that the prospect of strike action by metal workers hung over the stock. Mannesmann shed DM4.30 to DM280.20 following the release of disappointing 1991 results after Thursday's close.

Schering continued to weaken following poor first quarter figures earlier in the week, closing down DM15 or 1.9 per cent at DM786. Hoechst lost 80 pfg to DM254 on news that Petrofina was negotiating to buy its US polyethylene plant.

MILAN staggered under the increasing weight of rights issues, following Thursday's late announcement from the insurer Ras and fellow insurer Assitalia's similar news yesterday morning. However, the market got some support from Fiat and Montedison. Dealers were perplexed by the bad timing of the rights issues, given the poor sentiment in the market, as well as the lack of explanation as to why the funds were needed. The Comit index fell 4.08 to 493.33, down 1.9 per cent on the week, in turnover estimated at L115bn after L113.6bn.

Ras, which resumed trading after Thursday's suspension dropped L2,030 or 9.7 per cent to L17,910 in heavy volume of 876,300 shares. Dealers said the price was hit by one large seller from London, and that there was no sign that Ras had stepped in to defend its share price. Its savings shares were suspended twice because of the excessive weakness and failed to be officially closed in spite of three attempts. It was quoted as low as L10,750, compared with L13,280 before the announcement.

Fiat fell L15 to L5,135 but rebounded to L5,160, supported by Thursday's good industry data. Montedison eased L4 to L1,485 but firmed to L1,490 later in the session. Dealers said there was interest in the shares following some buy notes from brokers and on talk that Montedison might sell all or part of its US operations.

ZURICH rose on foreign buying of blue chips. The SMI index rose 12.3 to 1,949.1, a 3.6 per cent gain on the week. Among banks, UBS registered shares gained SFr15 to SFr805 while its bearers were SFr60 firmer at SFr3,900.

Takeover rumours sent Baloise Insurance registered shares up SFr90 to SFr2,350.

STOCKHOLM recovered most of its losses caused by news that the government had been forced to bail out Nordbanken. The Affärsvärlden general index rose 1.8 to 1,009.7, up 2.9 per cent on the week, as turnover reached SKr853m from SKr787m.

The banking sector dropped 3.4 per cent on the news. SE Banken C shares were down SKr4 or 7.8 per cent to SKr47.50. Nordbanken, which is already 77.3 per cent owned by the government, rose 50 öre to SKr19.50.

Ericsson B ended SKr2 higher at SKr134 despite worse-than-expected first quarter results. Volvo B jumped SKr9 to SKr445 on hopes of an early merger with Renault.

BRUSSELS ended off the day's highs after hectic trading led by Petrofina, which rose 1.5 per cent. Petrofina ended up BFr175 at BFr11,550, accounting for half the day's volume of BFr1.6bn. The Bel-20 index added 13.09 to 1,211.36, up 1.6 per cent on the week.

AMSTERDAM closed slightly firmer. The CBS Tendency index advanced 0.1 to 130.1, for a 1 per cent gain on the week. Turnover was Fl 617m.

The publishing sector was strong on a positive report by ABN Amro Bank. VNU put on 70 cents to Fl 90.50, but off an intraday year's high of Fl 91.50. Elsevier advanced 50 cents to Fl 116.90 and Wolters Kluwer closed a net 30 cents higher at Fl 76.60 after going ex-dividend.

MADRID's general index rose 3.45 to 254.91 for a 2.48 per cent rise on the week.

**FT-SE Eurotrack 100 - May 8 †**

| Hourly changes | | | | | | | |
|---|---|---|---|---|---|---|---|
| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | close |
| 1185.28 | 1185.26 | 1186.13 | 1186.68 | 1186.82 | 1188.49 | 1188.69 | 1188.95 |

Day's High 1190.24 Day's Low 1184.77

| May 7 | May 6 | May 5 | May 1 | Apr 30 |
|---|---|---|---|---|
| 1182.52 | 1182.62 | 1178.23 | 1175.00† | 1174.96 |

Base value 1000 (26/10/90). † Partial

### SOUTH AFRICA

JOHANNESBURG staged a late rally, boosted by a stronger bullion price. The gold index gained 3 to 1,075 while the overall index firmed 16 to 3,603. Industrials advanced 21 to 4,482. Vaal Reefs improved R3 to R185.

ASIA PACIFIC

# Nikkei rises 6.2 per cent on the week

### Tokyo

WHILE the Nikkei average failed to continue its winning streak after rising more than 1,000 points in two consecutive days, traders were heartened by an increase in volume, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed down 34.93 at 18,375.95, up 6.2 per cent on the week, after a high of 18,500.00 and a low of 18,172.42. Arbitrage-related selling and profit-taking weighed down the index in early trading, but buying by foreigners and investment trusts helped cut most of the losses.

Volume rose to 450m shares from 400m. Despite the fall in the Nikkei, advances led declines by 623 to 378, with 137 issues remaining unchanged. The Topix index of all first section stocks lost 0.32 to 1,374.38 and in London, the ISE/Nikkei 50 index up 0.56 at 1,106.89.

Traders said that sentiment was improving. Mr Takatoshi Okuyama at Daiwa Securities said: "We've probably confirmed the bottom, and more investors are coming back in." He added that the recent rise in share prices has prompted investors to cover short positions.

Speculative issues were traded actively by dealers. Biotechnology issues advanced, with Morinaga Milk, the most active issue of the day, up Y41 to Y840 and Okamoto advancing Y100 to Y1,380. Shimadzu, a medical equipment maker, rose Y25 to Y705 on the Aids theme.

Foreign investors sought high technology blue chips. Sony added Y80 to Y4,480 while TDK rose Y40 to Y4,450. However, NEC fell Y30 to Y1,010 and Matsushita retreated Y10 to Y1,430 on profit-taking.

Bank stocks lost ground on reports that four commercial banks, including Sakura Bank, will bail out Taiheiyo Bank, a regional bank in financial trouble due to an increase in bad loans. Sakura lost Y30 to Y1,040 and Fuji Bank lost Y50 to Y1,440.

Kanebo, the cosmetics maker, fell Y14 to Y445. Investors were discouraged by an announcement that the company will make a consolidated after-tax loss of Y6.6bn compared to an earlier forecast of a profit of Y1bn.

In Osaka, the OSE average rose 138.88 to 20,893.70 in volume of 32m shares. Dealers sought speculative issues while foreigners and investment trust were seen bargain-hunting. Short-term trading lifted Ono Pharmaceutical by Y330 to this year's high of Y6,380.

### Roundup

PACIFIC Rim markets were mixed while Bangkok regained some ground after large falls this week.

HONG KONG declined after recent gains. The Hang Seng Index lost 21.39 to 5,608.19, but was 2.2 per cent higher on the week. Turnover was HK$3.68bn.

HSBC Holdings fell HK$1.50 to HK$43.50 on news that it was posting a formal offer document to Midland Bank shareholders valuing the UK bank at some £3.4bn.

BANGKOK improved as investors anticipated an early resolution to the political crisis. The SET index rose 22.17 to 732.89, but was down 3.7 per cent on the week. Turnover was Bt4.27bn.

Bangkok Bank gained Bt20 to Bt680 and Siam Cement rose Bt10 to Bt518.

KUALA LUMPUR saw some interest in blue chip stocks. The composite index closed up 2.15 to 605.71, a 2.3 per cent rise over the week. Turnover fell to M$107m from M$112m.

Telecom advanced 30 cents to M$12.90 while Genting lost 30 cents to M$12.60.

SEOUL fell on profit-taking. The composite index finished 4.09 lower at 599.25, for a 3.4 per cent decline on the week. Turnover was Won356bn.

AUSTRALIA drifted lower. The All Ordinaries index shed 2.3 to 1,663.6, barely changed on the week. Turnover was A$286m.

John Fairfax Holdings, making its market debut, closed up 18 cents at A$1.38. News Corp advanced 40 cents to A$20.90 while Foster's Brewing was 3 cents firmer at A$1.80.

# When small can be not quite so beautiful

**Patrick Harverson** charts current disillusion in the US with hard-hit biotech and healthcare stocks

WHAT IS wrong with small stocks? While the Dow Jones industrials and the broad market S&P indices have hovered around record highs, indicators of smaller stocks have displayed a marked under-performance in recent months.

Since posting a record high of 644.92 on February 12, the Nasdaq composite index of over-the-counter stocks, which includes a lot of small-sized companies, has fallen just over 9 per cent, closing at 587.16 on Thursday.

Over the same period the even broader Russell 2000 index of small-capitalised stocks has dropped about 7 per cent from the mid-February high of 212, while the Value Line Index of small caps has given up almost as much of its gains.

Analysts have been saying the same thing in recent weeks: small stocks are taking a beating because they were driven too high last year by speculative buying that lost touch with their underlying earnings potential.

The damage inflicted on some of the high-flyers of six months to a year ago has been remarkable. Biotechnology and healthcare stocks have been hit the hardest, primarily because they enjoyed so much of the attention in the record-breaking rally of 1991.

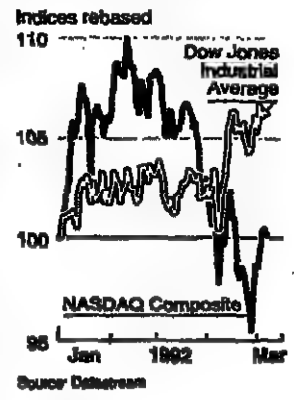
Immunex is a typical example. In January the maker of immunological biological products was trading around $60; by the end of April it had fallen to $26.

Over the same period Cytogen, which produces biochemical systems for treating cancer, dropped from $34 to $17, while the value of shares in another anti-cancer drug maker, Immunogen, was more than halved to $12.

Probably the biggest blow to the biotech sector was administered last month when the Food and Drug Administration (FDA) declined to grant approval for Centoxin, a drug for treating septic shock produced by Centocor, whose stock plunged from its high this year of $60 to $12 on news of the decision.

Analysts had talked of potential sales of about $1bn for Centoxin, and the FDA's refusal to approve it was a big blow not just to Centocor, but to the entire sector, as expectations that other drugs would be approved were dashed by talk that the FDA was taking a tougher line.

Centocor's problems highlight the risks investors face when buying stock in biotech companies whose future may rest on one product, or an awaited scientific breakthrough.



Source: Datastream

The fast-growth biotech stocks were particular favourites of new investors, who read of the extraordinary gains to be earned in the sector and jumped on the bandwagon with little thought or research. As a result, many bought stocks in companies they know little about. As soon as the sector's speculative bubble burst in mid-February, many of the unsophisticated investors panicked and sold hurriedly.

At the same time the more experienced investors were getting out because price/earnings ratios and technical charts were telling them that the sector had peaked and was heading for a substantial correction.

Healthcare stocks also ran into heavy selling during the latter part of the first quarter, with analysts blaming the losses on the uncertainty surrounding healthcare legislation in this election year.

Health has been one of the biggest topics in the presidential debate so far, and there is concern in the market that after the election the victorious candidate might push sweeping health reforms through Congress.

The problems of the biotech and healthcare sectors has inevitably impacted on the market for initial public offerings (IPOs). Between January 1991 and the end of the first quarter this year an estimated $1.75bn was raised through over 50 biotech IPOs as new and emerging companies rushed to take advantage of the heavy demand from investors for biotech stocks. But in recent weeks several planned IPOs have been shelved because of the sudden absence of buyers.

The under-performance of small stock indices has also been caused by a switch of funds into low-priced cyclical stocks. The high p/e ratios on many growth stocks in the Nasdaq composite and the Russell 2000 at the start of the year had set off alarm bells for some investors, who began selling out of small growth stocks and into cyclical broader market stocks.

To investors, the recovering economy made cyclicals, whose earnings tend to move in line with the economic cycle, look more attractive than emerging growth stocks, whose earnings are more unreliable.

As for small value stocks, which can look slow and unexciting but which usually produce a steady return over the long term, they offer a safe haven with strong defensive qualities for investors tired of the roller-coaster ride of biotechs.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | THURSDAY MAY 7 1992 | | | | | | | | WEDNESDAY MAY 6 1992 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992 High | 1992 Low | Year ago (approx) |
| Australia (69) | 149.65 | −1.2 | 123.61 | 125.53 | 127.29 | 132.63 | −0.3 | 4.15 | 151.52 | 125.19 | 126.81 | 128.45 | 133.08 | 153.68 | 140.94 | 146.78 |
| Austria (19) | 165.99 | +0.3 | 136.98 | 139.24 | 141.18 | 141.29 | +0.7 | 2.07 | 165.45 | 136.69 | 138.47 | 140.25 | 140.28 | 186.70 | 162.48 | 198.88 |
| Belgium (46) | 140.84 | +0.7 | 116.23 | 118.13 | 119.79 | 116.87 | +0.9 | 5.20 | 139.82 | 115.52 | 117.01 | 118.53 | 115.86 | 145.19 | 135.87 | 134.98 |
| Canada (115) | 126.38 | −0.2 | 104.30 | 106.01 | 107.49 | 109.68 | −0.1 | 3.35 | 126.60 | 104.60 | 105.95 | 107.31 | 109.74 | 142.12 | 125.60 | 128.40 |
| Denmark (35) | 239.23 | +0.1 | 197.43 | 200.68 | 203.48 | 205.64 | +0.3 | 1.78 | 238.93 | 197.40 | 199.97 | 202.54 | 204.97 | 273.94 | 226.81 | 235.29 |
| Finland (15) | 81.80 | +1.7 | 67.50 | 68.61 | 69.57 | 76.12 | +1.6 | 1.96 | 80.43 | 66.46 | 67.31 | 68.18 | 74.95 | 89.80 | 73.64 | 114.04 |
| France (105) | 165.12 | +0.6 | 136.27 | 138.50 | 140.43 | 142.72 | +0.9 | 3.30 | 164.17 | 135.63 | 137.39 | 139.15 | 141.51 | 165.12 | 148.06 | 136.39 |
| Germany (65) | 119.70 | +0.0 | 98.78 | 100.42 | 101.81 | 101.81 | +0.3 | 2.27 | 119.74 | 98.93 | 100.23 | 101.50 | 101.50 | 122.84 | 114.67 | 108.78 |
| Hong Kong (55) | 233.15 | +0.9 | 192.41 | 195.56 | 198.31 | 201.71 | +0.9 | 3.53 | 231.09 | 190.92 | 193.40 | 195.90 | 229.63 | 233.15 | 176.36 | 153.43 |
| Ireland (16) | 162.33 | +0.0 | 133.97 | 136.17 | 138.07 | 140.24 | +0.2 | 3.77 | 162.29 | 134.08 | 135.82 | 137.57 | 139.84 | 173.71 | 151.78 | 155.93 |
| Italy (78) | 71.05 | −0.1 | 58.65 | 59.59 | 60.43 | 65.30 | +0.3 | 3.52 | 71.10 | 58.74 | 59.50 | 60.26 | 65.10 | 80.86 | 68.92 | 75.76 |
| Japan (473) | 102.34 | +2.5 | 84.46 | 85.85 | 87.06 | 85.85 | +2.7 | 0.99 | 99.88 | 82.52 | 83.59 | 84.67 | 83.59 | 140.95 | 88.70 | 139.05 |
| Malaysia (68) | 244.15 | −0.2 | 201.49 | 204.79 | 207.66 | 236.96 | −0.1 | 2.73 | 244.68 | 202.15 | 204.77 | 207.41 | 237.28 | 250.18 | 212.49 | 230.15 |
| Mexico (18) | 1670.63 | +2.0 | 1378.88 | 1401.53 | 1421.13 | 5651.21 | +2.3 | 1.04 | 1638.01 | 1353.30 | 1370.89 | 1388.53 | 5523.19 | 1789.77 | 1376.91 | 939.74 |
| Netherland (25) | 156.62 | −0.9 | 129.25 | 131.38 | 133.22 | 131.60 | −0.6 | 4.24 | 158.07 | 130.59 | 132.29 | 133.99 | 132.38 | 158.07 | 147.68 | 139.52 |
| New Zealand (14) | 44.53 | −0.4 | 36.75 | 37.35 | 37.87 | 44.02 | −0.1 | 6.26 | 44.72 | 36.95 | 37.43 | 37.91 | 44.07 | 40.52 | 42.01 | 54.41 |
| Norway (23) | 188.47 | +0.3 | 155.54 | 158.09 | 160.31 | 163.54 | +0.5 | 1.56 | 187.93 | 155.27 | 157.29 | 159.31 | 162.49 | 192.95 | 161.26 | 196.37 |
| Singapore (38) | 217.01 | +0.3 | 179.09 | 182.03 | 184.57 | 165.05 | +0.3 | 1.98 | 216.41 | 178.80 | 181.12 | 183.45 | 164.60 | 228.43 | 192.78 | 201.68 |
| South Africa (61) | 241.99 | −1.6 | 199.70 | 202.98 | 205.82 | 180.85 | +0.1 | 2.79 | 245.83 | 203.10 | 205.73 | 208.38 | 180.63 | 263.60 | 203.16 | 206.61 |
| Spain (50) | 151.65 | +0.6 | 125.15 | 127.21 | 128.98 | 117.53 | +0.6 | 5.16 | 150.70 | 124.50 | 126.12 | 127.74 | 116.79 | 160.47 | 146.86 | 157.30 |
| Sweden (25) | 191.51 | +0.2 | 158.04 | 160.64 | 162.89 | 167.27 | +0.5 | 2.70 | 191.16 | 157.93 | 159.99 | 162.05 | 166.47 | 191.51 | 173.09 | 174.27 |
| Switzerland (59) | 103.76 | −0.6 | 85.63 | 87.04 | 88.27 | 97.20 | +0.0 | 2.20 | 104.43 | 86.27 | 87.40 | 88.53 | 97.17 | 104.43 | 95.99 | 91.37 |
| United Kingdom (228) | 194.99 | +0.3 | 160.92 | 163.55 | 165.83 | 160.92 | +0.2 | 4.62 | 194.43 | 160.63 | 162.71 | 164.80 | 160.63 | 194.99 | 185.85 | 170.85 |
| USA (522) | 169.63 | −0.2 | 139.99 | 142.29 | 144.28 | 169.63 | −0.2 | 2.94 | 170.00 | 140.45 | 142.28 | 144.11 | 170.00 | 171.66 | 160.92 | 155.12 |
| Europe (789) | 152.90 | +0.2 | 126.19 | 128.26 | 130.06 | 129.03 | +0.3 | 3.81 | 152.67 | 126.13 | 127.77 | 129.42 | 128.66 | 152.90 | 139.31 | 136.55 |
| Nordic (98) | 180.11 | +0.2 | 148.64 | 151.08 | 153.19 | 150.61 | +0.4 | 2.15 | 179.73 | 148.49 | 150.42 | 152.36 | 149.84 | 188.52 | 169.66 | 174.73 |
| Pacific Basin (717) | 108.37 | +2.1 | 89.43 | 90.90 | 92.17 | 91.54 | +2.3 | 1.37 | 106.15 | 87.70 | 88.84 | 89.98 | 89.44 | 141.97 | 94.40 | 139.53 |
| Euro-Pacific (1506) | 126.40 | +1.1 | 104.31 | 106.02 | 107.50 | 107.05 | +1.3 | 2.55 | 124.96 | 103.24 | 104.57 | 105.92 | 105.64 | 145.21 | 113.00 | 139.47 |
| North America (637) | 166.92 | −0.2 | 137.75 | 140.03 | 142.00 | 165.55 | −0.2 | 2.96 | 167.28 | 138.20 | 140.02 | 141.83 | 165.90 | 169.69 | 158.70 | 154.01 |
| Europe Ex. UK (561) | 127.96 | +0.1 | 105.60 | 107.36 | 108.86 | 110.65 | +0.4 | 3.19 | 127.89 | 105.66 | 107.06 | 108.44 | 110.24 | 129.79 | 121.01 | 117.36 |
| Pacific Ex. Japan (244) | 167.71 | −0.1 | 138.41 | 140.70 | 142.66 | 149.83 | +0.2 | 3.64 | 167.93 | 138.74 | 140.57 | 142.37 | 149.48 | 168.44 | 149.00 | 144.14 |
| World Ex. US (1700) | 128.69 | +1.1 | 106.20 | 107.95 | 109.46 | 109.27 | +1.3 | 2.56 | 127.36 | 105.21 | 106.59 | 107.95 | 107.86 | 146.91 | 116.45 | 140.57 |
| World Ex. UK (1994) | 136.48 | +0.5 | 112.63 | 114.48 | 116.10 | 124.55 | +0.7 | 2.47 | 135.71 | 112.12 | 113.59 | 115.06 | 123.64 | 150.58 | 127.21 | 141.58 |
| World Ex. So. Af. (2161) | 140.86 | +0.6 | 116.25 | 118.17 | 119.82 | 127.46 | +0.7 | 2.72 | 140.07 | 115.73 | 117.24 | 118.75 | 126.60 | 153.05 | 130.04 | 144.05 |
| World Ex. Japan (1749) | 163.49 | −0.1 | 134.92 | 137.15 | 139.08 | 152.11 | +0.0 | 3.26 | 163.63 | 135.19 | 136.96 | 138.73 | 152.08 | 163.63 | 153.20 | 148.64 |
| The World Index (2222) | 141.52 | +0.5 | 116.79 | 118.72 | 120.38 | 127.94 | +0.7 | 2.72 | 140.77 | 116.30 | 117.82 | 119.34 | 127.09 | 153.70 | 130.66 | 144.42 |

Latest prices were unavailable for this edition.

## LONDON SHARE SERVICE

BRITISH FUNDS | BRITISH FUNDS - Cont. | BRITISH FUNDS - Cont. | OTHER FIXED INTEREST

| Notes | Price £ | + or - | 1992 High | 1992 Low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

## AMERICANS

| Notes | Price £ | + or - | 1992 high | low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs | 36⅝xd | -⅞ | 38⅞ | 34 | 15,370 | 1.9 |
| ♥Allegheny & W | 270p | +21 | 335p | 226p | 149.3 | 6.3 |
| Amdahl | 985p | +22 | 1159p | 815p | 1,093 | 0.6 |
| Amer Cyanamid | 34 | +⅛ | 37 | 32¼ | 3,114 | 2.7 |
| Amer Express | 12⅞xd | -⅛ | 13⅞ | 10[illegible] | 5,872 | 4.6 |
| Amer T & T | 24⅞xd | -⅛ | 24⅞ | 20⅛ | 32,299 | 3.0 |
| Ameritech | 34⅝ | — | 38[illegible] | 32½ | 15,168 | 5.7 |
| BankAmerica | 28⅜xd | — | 28⅝ | 19[illegible] | 8,969 | 2.8 |
| Bankers NY | 33[illegible]xd | -[illegible] | 37¼ | 28⅞ | 2,755 | 8.2 |
| Bell Atlantic | 24⅛ | -⅛ | 26¾ | 23⅛ | 18,349 | 6.1 |
| BellSouth | 27 | — | 29⅛ | 25 | 13,140 | 5.8 |
| ♥Bethlehem Steel | 8[illegible]xd | +[illegible] | 9⅝ | 7 | 634.9 | — |
| Bowater | 1290pxd | -13 | [illegible] | 1078p | 463.4 | 5.2 |
| CPC h | 22[illegible]xc | -[illegible] | 25⅝ | 22¼ | 3,473 | 2.9 |
| California Engy | 714p | — | 833p | 646p | 130.0 | — |
| Campbell Soup | 19¼ | -[illegible] | [illegible] | 18[illegible] | 4,899 | 2.3 |
| Chase Manhattan | 19⅞xd | +[illegible] | 19⅞ | 9⅛ | 2,232 | 4.3 |
| Chrysler | 10[illegible]xd | -[illegible] | 11⅛ | 6¼ | 3,058 | 3.2 |
| Citicorp | 18⅝xd | +[illegible] | [illegible] | 5⅛ | 3,678 | — |
| Colgate-Palm | 28[illegible]xd | -[illegible] | 28[illegible] | 25¼ | 4,445 | 2.1 |
| Cont'l Bank | 938p | -13 | 1038p | 499p | 946.9 | 3.6 |
| Dana | 23½xd | -⅛ | 24½ | 14[illegible] | 966.1 | 3.6 |
| Data General | 520p | -7 | 1004p | 487p | 143.5 | |
| Dial | 19½xd | — | 24⅛ | 18⅞ | 782.8 | 3.2 |
| Dun & Brad | 29½ | — | 33½ | 28⅞ | 5,264 | 4.4 |
| Eaton | 40⅞ | -⅝ | 46½ | 32½ | 1,469 | 2.9 |
| Echlin | 10xd | -⅛ | 11 | 7⅞ | 558.5 | 3.9 |
| FPL | 19⅝xd | — | 20 | 18⅛ | 3,328 | 6.9 |
| Fluor | 24½xd | +⅜ | 27 | 21 | 1,988 | 0.9 |
| Ford Motor | 25⅛xd | -[illegible] | 25¼ | 15 | 12,180 | 2.2 |
| Gen Elect | 42⅝xd | -¼ | [illegible] | 40[illegible] | 36,633 | 2.7 |
| ♥General Host | 485p | +1 | 656p | 390p | — | 4.3 |
| Gillette | 27⅛xd | -⅛ | 29⅞ | 26⅛ | 5,931 | 1.5 |
| Hasbro h | 14⅞ | — | 16 | 12⅛ | 1,238 | 0.5 |
| Honeywell | 40¼xd | -⅛ | 43 | 34⅛ | 2,845 | 2.3 |
| Houston Inds | 24½ | -⅛ | 26 | 23 | 3,173 | 6.8 |
| IBM | 52xd | +[illegible] | 64½ | 46¾ | 29,751 | 5.2 |
| Ingersoll-Rand | 34[illegible]xd | — | 38[illegible] | 28[illegible] | 1,792 | 2.2 |
| Lockheed | 25⅛ | — | 26⅞ | 22⅞ | 1,584 | 4.7 |
| Loew's | 2128p | -5 | 2478p | 1631p | 775.2 | 1.5 |
| Merrill Lynch | 27⅝xd | -[illegible] | 38[illegible] | 26¾ | 2,837 | 2.0 |
| Morgan (JP) | 32xd | +⅛ | 37½ | 29[illegible] | 8,091 | 3.8 |
| Morris (Philip) | 43⅞xd | -⅛ | 45[illegible] | 41⅛ | 40,358 | 2.7 |
| NYNEX | 42 | -⅛ | 44⅝ | 39⅝ | 8,519 | 6.2 |
| ♥Pac Agric | 31p | — | 57p | 28p | — | — |
| Pall | 14 | +⅛ | 17[illegible] | 10[illegible] | 1,228 | 1.4 |
| Pennzoil | 28⅛xd | -[illegible] | 30¾ | 25⅛ | [illegible] | 6.4 |
| Quaker Oats | 29⅞xd | +⅛ | 40[illegible] | 28[illegible] | 2,232 | 3.2 |
| Rockwell | 13½xd | -[illegible] | 15[illegible] | 13[illegible] | [illegible] | 3.9 |
| Rep NY | 22⅝ | — | 26[illegible] | 22[illegible] | 1,177 | 2.5 |
| Sears, Roebuck | 23[illegible]xd | -⅞ | 28 | 19[illegible] | 8,027 | 4.6 |
| Sthwestern Bell | 34 | -⅛ | [illegible] | 32⅛ | 10,205 | 4.8 |
| Sthn Co | 15⅝xd | -⅛ | 16⅞ | 15⅛ | 1,658 | 6.8 |
| Tenneco | 24⅞xd | -[illegible] | 25[illegible] | 16½ | 3,091 | 3.5 |
| Texaco | 34¾xd | +[illegible] | 35¼ | 30[illegible] | 8,983 | 5.2 |
| Time Warner | 88¾xd | +[illegible] | [illegible] | 45½ | 5,627 | 0.8 |
| ♥Unitab | 466p | — | 557p | 440p | 445.9 | — |
| Utd Tech | 29½xd | -[illegible] | 31¾ | 27 | 3,588 | 3.4 |
| ♥Utilitech | 68p | — | 122p | 66p | — | |
| ◊URS Intl. 1c | 0⅝p | — | 1¼p | 0⅛p | 2.38 | — |
| US West | 19⅞ | +⅛ | 21[illegible] | 18⅞ | 6,147 | 6.0 |
| Varity | 825p | +2 | 888p | 632p | 305.9 | — |
| Waste Manage | 21⅝xd | -¼ | 26 | 20[illegible] | 10,674 | 1.1 |
| Whirlpool | 2292pxd | -6 | 2799p | 2021p | 1,588 | 2.6 |
| ♥Woolworth | 16[illegible] | +[illegible] | 18¼ | 14⅛ | 2,127 | 3.7 |

## CANADIANS

| Notes | Price £ | + or - | 1992 high | low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|
| ♥Abbot Energy | 2p | — | 2p | 1⅛p | — | — |
| Amer Barrick | [illegible] | -12 | 1842p | 1282p | 1,831 | 0.3 |
| Bk Montreal | 20 | — | 23¼ | 20 | 2,417 | 5.7 |
| Bk Nova Scot | [illegible] | -7 | [illegible] | 802p | 1,826 | 6.2 |
| ♥BC Gas | 734p | -7 | 870p | 728p | — | 4.4 |
| BCE | 20½ | +⅛ | 24½ | 20¼ | [illegible] | 7.5 |
| ♥Brascan | 762p | +5 | 887p | 714p | 629.2 | 7.5 |
| ♥Breakwater | 28p | -1½ | 33p | 6p | 18.8 | 21.8 |
| Can Imp Bk | 1257p | — | 1610p | 1250p | 2,322 | 5.7 |
| Can Pacific | 812p | +4 | 836p | 788p | 2,849 | 0.3 |
| 4pc Deb | 36 | — | 37 | 36 | 18.8 | 11.1 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BANKS

[illegible]

## BREWERS & DISTILLERS

[illegible]

## BUILDING MATERIALS

[illegible]

## BUILDING MATERIALS - Cont.

[illegible]

## BUSINESS SERVICES

[illegible]

## CHEMICALS

[illegible]

## CONGLOMERATES

[illegible]

## CONTRACTING & CONSTRUCTION

[illegible]

## CONTRACTING & CONSTRUCTION - Cont.

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONICS

[illegible]

## ENGINEERING - AEROSPACE

[illegible]

## ENGINEERING - GENERAL

[illegible]

## ENGINEERING - GENERAL - Cont.

[illegible]

## FOOD MANUFACTURING

[illegible]

## FOOD RETAILING

[illegible]

## HEALTH & HOUSEHOLD

[illegible]

## HOTELS & LEISURE

[illegible]

## INSURANCE BROKERS

[illegible]

## INSURANCE COMPOSITE

[illegible]

## INSURANCE LIFE

[illegible]

## INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## INVESTMENT TRUSTS - Cont.

| Notes | Price | +or - | 1992 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|
| Scot National Inc | 98½ | — | 107 | 83½ | 12.5 | — | — |
| Cap | 37 | +2 | 42 | 12½ | — | 59.5 | 41.2 |
| Stepped Pf t | 187 | — | 187 | 128 | 8.1 | — | — |
| Zero Div Pf | 181 | +1 | 181 | 165½ | — | — | — |
| Warrants | 8 | +½ | 9 | 3½ | — | — | — |
| Scot Value t | 81½ | +½ | 81½ | 48 | 2.7 | 83.9 | 4.5 |
| Sec Alliance t | 1275 | +7 | 1275 | 1138 | 3.7 | 1392.7 | 8.5 |
| Second Market g | 243 | — | 243 | 222 | 3.8 | 282.6 | 14.7 |
| Sec Tst Scot | 75 | +½ | 75 | 63 | 5.9 | 75.8 | 1.7 |
| Select Assets | 100 | — | 102½ | 98 | 1.2 | 133.8 | 25.1 |
| Eq Ind Ster | 121 | — | 121 | 108 | 4.7 | — | — |
| Eq Ind Stlg | 121 | — | 121 | 109 | 4.7 | — | — |
| Shires t | 244 | — | 245 | 195 | 9.7 | 248.1 | 1.7 |
| 11pc Cv Ln '03/04 | £112½ | — | £112½ | £95½ | 9.8 | — | — |
| Sum Select | 87 | — | 91 | 86 | 1.5 | 90.6 | 4.2 |
| Warrants | 19 | — | 21 | 17 | — | — | — |
| Smaller Cos | 83 | — | 83 | 67 | 4.6 | 89.1 | 6.9 |
| Warrants | 18 | — | 19 | 10 | — | — | — |
| Stratton | 165 | +3 | 165 | 147 | 1.5 | 190.8 | 13.5 |
| Scott | 49 | — | 52 | 38 | 3.8 | 108.4 | 60.7 |
| TR City of Lon M | 122 | -½ | 122½ | 97½ | 6.2 | 122.7 | 0.2 |
| TR Euro Growth s | 87 | — | 88 | 83 | 1.5 | 99.2 | 12.3 |
| Pfg Sub s | 50 | — | 54 | 50 | 2.7 | — | — |
| TR Far East Inc M | 96 | — | 96 | 76 | 6.2 | 102.1 | 6.9 |
| Warrants | 21 | — | 22 | 12 | — | — | — |
| TR High Inc | 109 | — | 110 | 91 | 7.3 | 104.4 | -4.4 |
| Sub g | 37 | — | 38 | 28 | 8.5 | — | — |
| TR Pacific s | 97 | — | 97 | 71 | 8.3 | 97.8 | 0.9 |
| TR Prop | 26 | — | 27 | 20 | 7.4 | 33.4 | 22.1 |
| TR Smaller | 145 | +2 | 145 | 116½ | 3.4 | 154.5 | 6.1 |
| TR Technology M | 36 | — | 37 | 25 | 8.8 | 116.1 | 69.0 |
| Stepped Pf | 101½ | — | 101½ | 89¾ | 7.5 | — | — |
| Zero Pf | 175½ | — | 175½ | 154½ | — | — | — |
| Temple Bar | 274 | +1 | 274 | 239 | 6.3 | 290.3 | 5.7 |
| 6pc Cv Ln 2002 | £116½ | — | £116½ | £110½ | 6.2 | — | — |
| Templeton Em | 221 | +1 | 221 | 165 | 1.5 | 199.3 | -10.4 |
| Warrants | 104 | — | 105 | 59 | — | — | — |
| 1pc Cv Ln 2001 | £214½ | -3 | £217½ | £162½ | 0.5 | — | — |
| Thornton Asian | 63 | -1 | 64 | 54 | 1.1 | 77.1 | 17.0 |
| Warrants | 7½ | — | 11 | 6 | — | — | — |
| Thornton Pan Euro | 22 | — | 26 | 25 | 4.9 | 31.5 | 14.4 |
| Warrants | 1¼ | — | 1 | 1 | — | — | — |
| Throg Dual Inc | 92 | — | 99 | 92 | 12.7 | — | — |
| Cap | 355 | +20 | 378 | 268 | — | 668.2 | 46.7 |
| Throgmorton | 62 | — | 66 | 43½ | 4.9 | 73.6 | 15.8 |
| Warrants | 23 | — | 23 | 10 | — | — | — |
| Throg USM | 125 | — | 128 | 101½ | 9.9 | 133.4 | 6.6 |
| Warrants | 23 | -1 | 24 | 9 | — | — | — |
| Tor Inc k | 365 | — | 406 | 376 | 23.7 | — | — |

## MERCHANT BANKS

| Notes | Price | +or - | 1992 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| Ansbacher (H) | 29 | — | 33 | 26 | 54.1 | — | — |
| Baring 8pc Cm 2nd Pf | 86 | — | 86 | 83½ | 12.8 | 11.1 | — |
| 9¾pc Non-Cum Pf | 118½ | — | 118½ | 103¾ | 48.8 | 11.2 | — |
| Brown Shipley | 125 | -4 | 284 | 125 | 19.8 | 8.5 | — |
| Close Bros t | 251 | -2 | 287 | 250 | 93.5 | 4.7 | 11.2 |
| Hambros t | 283 | +3 | 284 | 215 | 488.4 | 6.0 | 11.2 |
| 7½pc Cv Pf | 119 | — | 119 | 93 | 174.8 | 8.9 | — |
| Joseph (L) | 330 | — | 332 | 318 | 17.2 | 8.4 | — |
| Kleinwort Benson | 288 | +3 | 292 | 212 | 384.8 | 7.8 | 10.9 |
| Rea Bros | 36xd | — | 38 | 28 | 14.1 | 1.9 | ♦ |
| Schroders | 1275 | — | 1285 | 1043 | 648.4 | 1.9 | 14.8 |
| N/V | 1076 | — | 1078 | 883 | 141.1 | 2.2 | 12.5 |
| Singer & Fried | 48 | — | 49 | 37 | 82.3 | 6.9 | 10.5 |
| Warburg (SG) t | 598 | +4 | 605 | 445 | 1,263 | 3.8 | 12.5 |
| 8pc Cv Pf | 286 | +1 | 292 | 150 | 85.1 | 4.0 | — |
| Wesmat | 218 | — | 233 | 213 | 18.5 | 5.7 | 6.5 |

## METALS & METAL FORMING

| Notes | Price | +or - | 1992 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| ASW | 155 | +8 | 185 | 113 | 183.4 | 7.7 | 28.4 |
| Apollo Metals | 130 | — | 147 | 129 | 18.3 | 3.5 | 12.1 |
| Ash & Lacy | 153 | +2 | 153 | 142 | 48.3 | 5.6 | 11.7 |
| Barrett (H) | 32 | +1 | 47 | 23 | 13.9 | 8.3 | 74.0 |
| Billam (J) | 133 | +7 | 133 | 84 | 2.15 | 4.3 | 7.5 |
| Brit Steel | 83½ | +½ | 86 | 64 | 1,670 | 14.0 | — |
| BCI | 31 | +1 | 31 | 15 | 25.8 | 9.2 | ♦ |
| Castings t | 148 | +1 | 149 | 118 | 29.9 | 3.5 | 10.2 |
| Chamber & Hill | 94 | — | 95 | 90 | 8.87 | 8.2 | 5.2 |
| Cohen (A) | 350 | — | 375 | 350 | 6.48 | 8.8 | 36.5 |
| Cook (Wm) t | 321 | +2 | 321 | 250 | 69.8 | 5.6 | 8.8 |
| Cooper (F) | 66 | +3 | 69 | 50 | 23.4 | 6.3 | 31.3 |
| Crosby ♦ | 44 | — | 44 | 24 | 7.15 | — | 12.8 |
| Downiebrae | 33 | — | 35 | 27 | 6.77 | 2.1 | ♦ |
| Firth (GM) ‡ | 28 | -2 | 35 | 26 | 8.78 | ‡ | — |
| Garton | 130 | — | 130 | 90 | 4.94 | 7.5 | — |
| Glynwed Intl | 280 | +1 | 282 | 193 | 662.7 | 8.8 | ♦ |
| Johnson & Firth | 60½ | — | 66½ | 54½ | 91.9 | 8.1 | 13.1 |
| Johnson Matthey | 424 | — | 446 | 317 | 782.5 | 2.9 | 16.5 |
| Lee (A) | 96 | -2 | 113 | 85 | 31.9 | 8.2 | 48.0 |
| Linread | 79 | +3 | 82 | 61 | 9.37 | 6.0 | 11.0 |
| Manganese Bro | 85 | — | 88 | 84 | 14.2 | 1.8 | 69.1 |
| Meiser | 127xd | — | 137 | 125 | 18.5 | 5.1 | ♦ |
| Morris Ashby | 88 | -1 | 97 | 80 | 5.69 | 6.9 | 9.3 |
| Richards Grp | 78xd | — | 81 | 70 | 5.80 | 8.4 | 5.8 |
| Saville Gordon | 26 | — | 27 | 20 | 36.7 | 8.1 | — |
| Stainless Metal | 27 | — | 29 | 19 | 1.55 | — | — |
| Sycamore | 15 | — | 19 | 15 | 14.8 | — | 18.9 |
| Thyssen DM | 1593 | -20 | 1697 | 1376 | 460.2 | 2.2 | — |
| Tinsley (Eliza) | 84 | — | 84 | 53 | 4.61 | 10.8 | 11.7 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ¤ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ▼ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ≡ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ✦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
j Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.

N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

## London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.
To obtain your free share Code Booklet ring (071 925-2128)

FINANCIAL TIMES
Weekend May 9/May 10 1992

# BCCI's UK-based creditors to reject settlement

By Alan Friedman in New York and Richard Donkin in London

BRITISH-BASED creditors of the collapsed Bank of Credit and Commerce International are to reject as inadequate the $1.7bn (£960m) settlement negotiated between the liquidator and the majority shareholder.

Rejection of the deal, to be put before the High Court in London on Monday, was formally agreed on Thursday at a meeting of creditors representing British deposits after they received independent legal advice.

Private criticism of the deal had been building up among creditors for some time. Officials involved in the BCCI settlement say the High Court may simply open its hearing and then adjourn it in order to avoid having to make an immediate ruling.

The creditors' stance will pose a dilemma for Sir Donald Nicholls, the vice-chancellor, who is presiding over the BCCI settlement hearings. The views of creditors would be expected to carry substantial weight in any court decision.

It could also mark a defeat for Mr Brian Smouha, the Touche Ross partner in charge of the BCCI liquidation, who has placed much of his personal prestige on the proposed deal.

At the heart of creditors' objections is the view that the government of Abu Dhabi, the majority shareholder of BCCI, should have far more responsibility to creditors than Mr Smouha's deal provides. The Smouha/Abu Dhabi deal would offer creditors only 30 to 40 cents on the dollar.

The creditors are arguing that liquidators should not give up their claims under $3.06bn of promissory notes issued by Abu Dhabi last year when the bank was carrying out a restructuring programme. They are also unhappy at having to sign over all legal rights to claim against the majority shareholders.

The likely rejection was foreshadowed earlier this week in a letter to the BCCI creditors committee from the Faisal Islamic Bank of Egypt and three other Arab creditor banks, which opposed the proposed Smouha deal as inadequate.

Approval for the package in the High Court is an essential first step in a series of approvals needed in Luxembourg and the Cayman Islands. Finally the agreement would need the blessing of creditors representing 70 per cent of the $10bn of liabilities identified to date.

The creditors' response was greeted with surprise in Abu Dhabi. The government there is awaiting the outcome of the hearing before preparing a response but is known to have put its faith in the liquidators' ability to steer the deal through the courts.

# Insurer in rescue talks following heavy losses

By Richard Lapper

MUNICIPAL MUTUAL, the UK's ninth largest general insurer, was yesterday in rescue talks with other insurers.

Municipal, which is owned by its policyholders and insures nine out of 10 local authorities in the UK, is talking to a UK and a continental European insurer about a possible transfer of its general business which generated net premium income of £572.3 in 1990.

Chairman Mr Maurice Stonefrost, admitted the company, formed in 1903, might well disappear as an independent entity. Any deal would represent the most important restructuring in the British general insurance market since the takeover of Cornhill by Germany's Allianz in 1986.

The talks began this week and are at an early stage. They follow heavy trading losses in the past two years which have cut Municipal's solvency margin – the yardstick measuring net assets as a percentage of non-life premium income – below the 30 per cent level regarded as adequate by industry regulators.

Mr Stonefrost insisted yesterday that company was solvent but said Municipal had been in contact with the Department of Trade and Industry because of concerns in this area.

Like other insurers, Municipal has been hard hit by rising claims and intense price competition in the UK market.

Underwriting losses rose to £140.4m in 1990 and 1991 was at least as bad, although final figures are not yet available.

The company has been hit by rising claims on employers' and public liability policies and could have insufficient reserves to meet future claims on these policies, which often emerge many years after the policy is written.

Mr Stonefrost said that during 1990 and 1991 "claims experience was of a scale and nature much greater than had been anticipated or provided for".

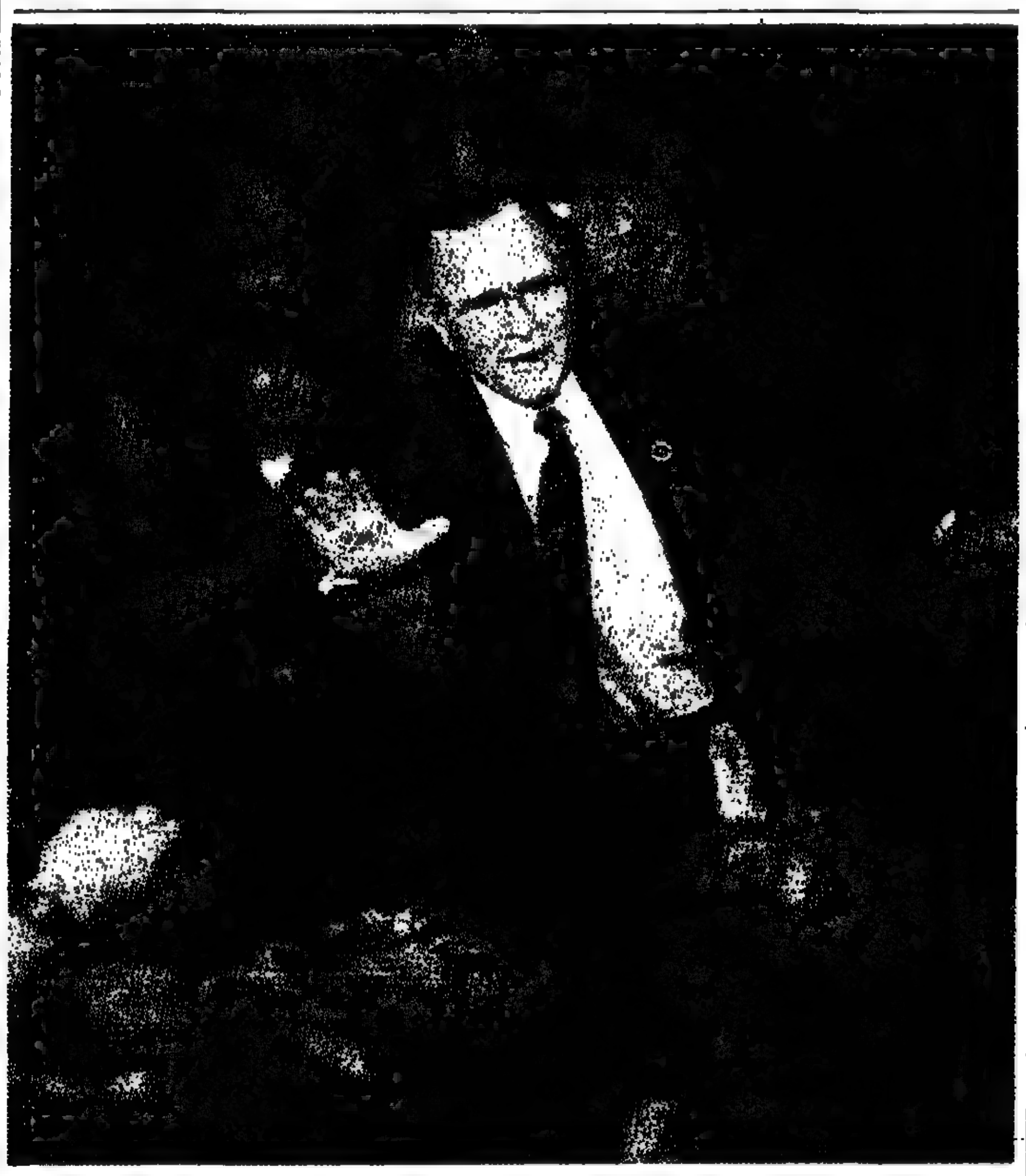
The group has been badly hit by rising arson claims by schools – most of them the result of fires started by children. School arson claims in 1991 amounted to £57m, over three times the £18m recorded in 1987.

The company was especially hard hit by price competition as it moved aggressively to reduce its dependence on its traditional local authority business. In 1990, it won a contract to write household insurance for Cheltenham and Gloucester Building Society on the basis of substantially lower premiums than its rivals.

Gross premium income at Municipal Mutual and its operating subsidiary Municipal General rose from £425m in 1988 to £794m in 1990. The company also reduced its reliance on reinsurance, retaining more risks on its own books.

Municipal has already stopped some business because of concerns about its solvency. Last month, it transferred its commercial lines account to Groupe des Assurances Nationales – the French insurer which has plans to build a larger presence in the UK market – and sold its Australian subsidiary.

Municipal also needed to raise capital in order to develop recently established life and health insurance subsidiaries and, as a mutual, was unable to do, Mr Stonefrost said. He said there had been a "sea change" among individuals prepared to take legal action.



President Bush waves goodbye to members of the California National Guard yesterday before leaving Los Angeles for Washington DC. He had spent two days in LA inspecting the damage done during last week's riots, which left many shops looted and burned

## THE LEX COLUMN

# London triumphant

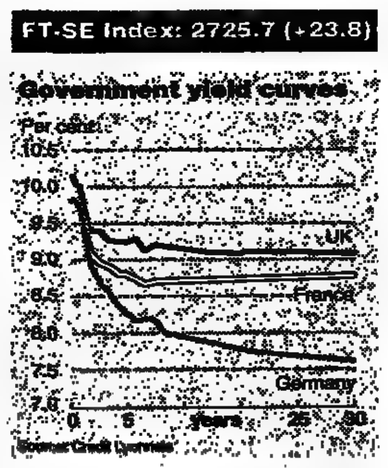
The UK equity market has reached the point where any remaining bears must find their nerve severely tested. The case for a further rise is still debatable, but looks increasingly plausible. The argument is that the market is going through one of its periodic large-scale adjustments. Having swept through its previous record, it could now establish 2700 on the FT-SE as a floor rather than a ceiling.

This would not be without precedent. In the last big adjustment, at the start of the Gulf war, a new floor was established at the previous ceiling of 2400. Again, the FT-SE has risen 14 per cent in the past month. In the first month of the Gulf rally it rose by 12 per cent. In the following month it rose another 9 per cent, before levelling out briefly at 2500. As luck would have it, a further 9 per cent would bring the FT-SE within 30 points of the similarly tempting target of 3000.

The parallels should not be pushed. In particular, the approach of the Gulf war knocked the market much harder than the approach of the election, so the bounce was correspondingly dramatic. But again, the defeat of Saddam Hussein left the market in many ways back where it started. This time it has the certainty of five more years of right-of-centre government, new-found popularity with the international investing community and the final evidence of an economic upturn.

The scale of the upturn may still be doubtful. But judging by yesterday's crop of annual meetings, UK company chairmen are coming round. The start to 1992, Burmah Castrol said, had been "very solid". IMI saw increasing signs of the recession ending. Rugby reported profits ahead of budget. Around 20 FT-SE companies are due to produce results within the next stock exchange account. If they keep that up, the bears will have more to worry about again.

FT-SE Index: 2725.7 (+23.8)



## Germany

Germany's public sector pay round has been such a humiliation for the government that it is easy to overdo its implications for the markets. The actual settlement will prove more expensive for the employers than the arbitration deal they originally rejected, so they could have saved themselves the trouble of a strike. Yet the final percentage is still within the range of expectations pencilled in by most economists. It should not of itself upset the Bundesbank.

A more pressing problem remains the explosion in German money supply. If April's figure, due in a couple of weeks, does show an annual growth of over 10 per cent, as many economists fear, the central bank may come under strong pressure to raise rates again. Though interest rates are a blunt weapon, there are not many alternatives: rationing Lombard facility advances to the banking system would raise money market rates anyway.

The bond market looks likely to suffer whatever happens. Premature easing by the Bundesbank would add to market worries about a government which, in the aftermath of the strike, appears to have lost its grip. If interest rates are maintained or increased, the steep inversion of the yield curve will continue to push investor funds towards short-term deposits. The fact that this is not the case in the UK and France is one more reason to expect spreads between government bonds in these countries and Germany to narrow further. But despite sterling's astonishing performance against the D-Mark since Tuesday's UK rate cut, it would not do to anticipate gilt yields actually falling below those on German bunds.

## Hanson

For the UK market, Hanson's sale of its ICI stake is open to two opposite interpretations. The bulls will assume the Hanson mega-bid is finally arriving on Monday morning. The bears will infer that Lord Hanson, having made a 17 per cent capital gain in a year when the FT-SE rose 11 per cent, is now calling the turn in the market.

The bull case owes more to the market's fevered state of mind than to logic. In the context of the imagined mega-bid, the £280m proceeds from the ICI stake are loose change. More to the point, the whole ICI episode has proved, if not a fiasco, then at least an embarrassment for which £40m gross capital gain is meagre compensation. It would be an odd time, surely, for Hanson to plunge into another venture on such a scale.

As for calling the turn on equities, the truth could be less dramatic. In selling Ever Ready and the ICI stake and issuing a £500m Eurobond, Hanson may simply have calculated that with the world's bankers staring at black holes like Olympia & York, this is a good time to reduce bank debt.

## Midland

However it dresses it up, the Hongkong Bank has difficulty making its bid for Midland look as attractive as the putative offer from Lloyds. An HSBC victory would produce a better capitalised bank than Lloyds combined with Midland. Restructuring costs would also be less than half. But the change of tax residence would require a special £200m tax provision and the eventual profits benefit would be only £300m a year compared with £700m in cost savings alone under the Lloyds plan.

HSBC is at pains to argue that these figures are not necessarily comparable. Its assumptions on cost savings, in areas like information technology, do not include any benefit from Midland's continuing restructuring. That suggests several hundred branch closures and heavy job losses in the UK even if HSBC wins. The combined banks would generate about £150m in extra revenues. But however conservative, such forecasts cannot carry any absolute guarantee. Though Lloyds may lose some revenues from branch rationalisation, it stands to make a lot more by selling insurance through the Midland network.

It would be extraordinary if HSBC made as much commercial sense as Lloyds as a partner for Midland. But since the competition authorities may render the comparison theoretical, the real question is whether HSBC makes a sensible case on its own. Its shareholders seem sceptical. HSBC fell over 3 per cent in an otherwise little changed Hong Kong market yesterday. The risks inherent in such a widely-spread conglomerate are high, while the forecast benefits from 1996 amount to only 14 per cent of last year's combined profits before provisions.

# Hanson sells stake in ICI

Continued from Page 1

head of the group's US arm, the group last year appointed three new non-executive directors. It recently made Mr Derek Bonham group chief executive and Mr David Clarke deputy chairman of Hanson Industries in the US.

A financier close to Hanson said the group lost interest in developing its relationship with ICI after it became clear the pharmaceuticals company would neither contemplate a merger nor any joint ventures with Hanson.

The conglomerate decided to sell its ICI stake after it received the final dividend late last month as part of its programme to eliminate net debt, which had risen to £1.5bn following the acquisition of Beazer, the aggregates and housebuilding company.

"Hanson has never been happy with net borrowings" said one of its advisers. "The sale of its ICI stake is part of the group's tidying up exercise before it makes its next big deal."

Goldman Sachs, the US investment bank which advised ICI in its dealings with Hanson, yesterday confirmed that it had sold Hanson's 20m ICI shares for £280m. Hanson, which bought the shares for £11.94, received £14.00 a share after Goldman placed around half the stake for around £14.10 to US investors.

# BT plans to reward staff

Continued from Page 1

cuts. A recent internal survey of employee opinions found that 44 per cent of the 216,000-strong workforce were afraid of losing their jobs. Only a third of those who took part in the survey (more than a third refused to reply) were proud of the company.

BT, which says it expects to award thousands of the gifts, claims the scheme is a first. An entire industry revolves around the promotion of employee incentives, but prizes are normally won for sales performance or other easily-measurable achievements.

In contrast, the BT scheme will reward staff who implement the company's set of five values: "Customer first, professionalism, respect for each other, working as a team, and continuous improvement."

The UCW is sceptical about how motivated staff will feel by the gifts.

The union said: "It may be a forlorn hope for BT that giving away trinkets can turn this appalling loss of morale around. Pictures in the brochures of smiling workers applauding a colleague being thanked by a manager are hardly likely to ring many bells with UCW members at BT."

## CHIEF PRICE CHANGES YESTERDAY

**FRANKFURT (Dm)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| BMW | 586 | + | 8.5 |
| [illegible] | 870 | + | 10 |
| Porsche | 509 | + | 9 |
| **Falls** | | | |
| Heidelb Zem | 940 | – | 14 |
| Herlitz | 350 | – | 11 |
| Schering | 786 | – | 15 |

**New York ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Chase Manhattan | 29 7/8 | + | 3/8 |
| Delta | 62 | + | 3/4 |
| Liz Claiborne | 37 1/4 | + | 1 1/2 |
| Pinelands | 17 3/4 | + | 5 3/4 |
| Transco Energy | 13 1/8 | + | 1 3/8 |
| **Falls** | | | |
| Chris-Craft | 26 7/8 | – | 5/8 |

New York prices at 12.30pm

**Tokyo (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Kanto Nat | 1210 | + | 140 |
| Kurabo Inds | 607 | + | 47 |
| Shinkawa | 2000 | + | 200 |
| TDF | 310 | + | 29 |
| Taiheiyo Bank | 415 | + | 50 |
| [illegible] | 555 | + | 57 |

Paris closed

**London (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| BAA | 645 | + | 16 |
| BBA | 157 | + | 11 |
| Barclays | 374 | + | 15 |
| Boots | 477 | + | 12 |
| Burmah Castrol | 626 | + | 22 |
| Cairn Energy | 50 | + | 13 |
| [illegible] | 62 | + | 10 |
| Hammerson A | 384 | + | 13 |
| Henderson Admin | 770 | + | 30 |
| INSTEM | 118 | + | 9 |
| Jones & Shipman | 60 1/2 | + | 14 1/2 |
| Lex Service | 268 | + | 17 |
| P & O Defd | 540 | + | 22 |
| P & P | 51 | + | 8 |
| Pittencrieff | 239 | + | 12 |
| Psion | 200 | + | 19 |
| [illegible] | 225 | + | 15 |
| Time Products | 180 | + | 12 |
| Tomorrows Leisure | 63 | + | 8 |
| Yule Catto | 269 | + | 14 |
| **Falls** | | | |
| Dickie (J) | 16 | – | 5 |
| Eadie | 17 | – | 3 |
| Shoprite | 467 | – | 20 |
| UK Land | 21 | – | 4 |

## World Weather

UK Today: Scotland and Northern Ireland will have a mixture of sunshine and showers. Rain will spread over England followed by brighter weather with showers. Outlook: Sunny periods and showers, dying out on Monday.

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Cairo | F | 26 | 79 | Inverness | H | 6 | 43 | Milan | S | 25 | 77 | Salzburg | F | 19 | 66 |
| Ajaccio | S | 19 | 66 | Cape Town | | – | – | Isle of Man | F | 9 | 48 | Montreal † | C | 11 | 52 | S'Francisco † | C | 13 | 55 |
| Algiers | S | 20 | 68 | Cardiff | C | 11 | 52 | Istanbul | S | 19 | 66 | Moscow | C | 13 | 55 | Seoul | C | 17 | 63 |
| Amsterdam | F | 11 | 52 | Chicago † | S | 8 | 46 | Jersey | S | 12 | 54 | Munich | F | 20 | 68 | Singapore | | – | – |
| Athens | S | 24 | 75 | Cologne | C | 12 | 54 | Johannesburg | | – | – | Nairobi | | – | – | Stockholm | F | 13 | 55 |
| Bahrain | S | 27 | 81 | Copenhagen | R | 10 | 50 | Las Palmas | S | 22 | 72 | Naples | S | 20 | 68 | Strasbourg | F | 21 | 70 |
| Barcelona | S | 21 | 70 | Corfu | S | 26 | 79 | Leeds | R | 9 | 48 | Nassau | | – | – | Sydney | F | 21 | 70 |
| Beijing | S | 22 | 72 | Dallas † | S | 11 | 52 | Lisbon | S | 24 | 75 | Newcastle | R | 9 | 48 | Tangier | S | 22 | 72 |
| Belfast | S | 8 | 46 | Dublin | R | 11 | 52 | Locarno | F | 19 | 66 | New Delhi | | – | – | Tel Aviv | C | 20 | 68 |
| Belgrade | C | 20 | 68 | Dubrovnik | | – | – | London | F | 12 | 54 | New York † | C | 11 | 52 | Tenerife | S | 17 | 63 |
| Berlin | C | 17 | 63 | Edinburgh | S | 7 | 45 | Los Angeles † | C | 17 | 63 | Nice | S | 20 | 68 | Tokyo | S | 25 | 77 |
| Biarritz | F | 15 | 59 | Faro | S | 22 | 72 | Luxembourg | C | 10 | 50 | Nicosia | S | 21 | 70 | Toronto † | S | 9 | 48 |
| Birmingham | F | 11 | 52 | Florence | S | 25 | 77 | Madeira | S | 20 | 68 | Oporto | S | 22 | 72 | Tunis | S | 23 | 73 |
| Blackpool | F | 9 | 48 | Frankfurt | C | 20 | 68 | Madrid | S | 21 | 70 | Oslo | R | 11 | 52 | Valencia | S | 23 | 73 |
| Bombay | F | 33 | 91 | Geneva | F | 18 | 64 | Majorca | S | 23 | 73 | Paris | F | 15 | 59 | Vancouver † | C | 11 | 52 |
| Bordeaux | S | 19 | 66 | Gibraltar | S | 20 | 68 | Malaga | S | 23 | 73 | Perth | F | 0 | 19 | Venice | S | 23 | 73 |
| Boulogne | C | 12 | 54 | Glasgow | F | 8 | 46 | Malta | S | 20 | 68 | Prague | F | 20 | 68 | Vienna | S | 22 | 72 |
| Bristol | S | 11 | 52 | Guernsey | F | 11 | 52 | Manchester | C | 10 | 50 | Reykjavik | S | 3 | 37 | Warsaw | F | 18 | 64 |
| Brussels | C | 13 | 55 | Helsinki | S | 12 | 54 | Melbourne | S | 17 | 63 | Rhodes | F | 20 | 68 | Washington † | R | 9 | 48 |
| Budapest | S | 23 | 73 | Hong Kong | T | 23 | 73 | Mexico City | | – | – | Rio de Janeiro | | – | – | Wellington | F | 8 | 46 |
| Buenos Aires | | – | – | Innsbruck | F | 22 | 72 | Miami † | C | 23 | 73 | Rome | S | 22 | 72 | Zurich | C | 19 | 66 |

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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Weekend FT

SECTION II — Weekend May 9/May 10 1992

# No hiding place for Europe's fugitives

*As refugees pour into Europe from the world's more troubled regions,* **David Marsh** *observes the backlash*

ALONG THE Austrian-Hungarian border, winding through the fertile Burgenland region south of Vienna, the gaunt steel watchtowers on the eastern side are deserted, relics of the Cold War. On Austrian soil, new look-out platforms have sprung up, manned by army conscripts in sheepskin coats. They are watching not for the march of communism, but for travellers from Turkey, Romania, Sri Lanka or Bangladesh seeking illegal entry. The Iron Curtain has been dismantled. But as the west attracts a growing stream of fugitives from troubled parts of the world, immigration has become the focus of Europe's fears.

In the gentle hills of the Burgenland, an immigrant's first encounter is often with a man in uniform. "They can cause disquiet among the population," says Gerhard Wild, a burly official at police headquarters in Eisenstadt, the main town in the region. Some steal local bicycles, he says. "Most are economic refugees," adds Karl Barilich, a young Austrian gendarme on patrol in his van. Captured border-crossers are taken to an impromptu reception centre in bleak rooms at a disused sugar refinery. They are questioned, photographed and given medical checks. After a few hours, those without a *prima facie* case for political asylum are sent back to Hungary. "Normally, they are exhausted – they just want to sleep," says Barilich. Before going, they can take their pick from second-hand clothes donated by local residents.

The fugitives are disaffected survivors of the revolutions and disruption which have swept through eastern Europe and the Third World. Instead of succour, they meet bile. Immigrants put pressure on jobs, housing and social security. The prosperous half of the continent is experiencing economic slowdown and a sharp swing to xenophobic far right-wing parties – seen in elections in France, Germany and Italy during the past few weeks. In the ugliest of ironies, the newcomers find themselves blamed for political turmoil in places they regarded as the promised land.

From all sides they come; and, on all sides, they are unwanted. Spain's *Guardia Civil* stands ready to repel immigrants from north Africa. The French *gendarmerie* are on patrol in Marseilles, while German border guards scan the wetlands of the River Oder for illicit arrivals from Poland. Most fugitives seek political asylum – even though their chances of acceptance are small. In western Europe 540,000 asylum-seekers were registered in 1991 – nearly twice the 1989 figure and more than three times 1987's. Germany alone attracted a record 256,000 asylum-seekers last year. Total immigration into western Europe topped 1m (including 220,000 ethnic Germans from eastern Europe and the former Soviet Union who went to Germany and get automatic citizenship rights there). The flows have crossed to Britain too. The Home Office recorded 44,000 asylum applications in 1991. A lorryload of illegal Indian immigrants hit the headlines in March after being apprehended by police on a motorway.

Austria is the traditional gateway between east and west. But on the border, hopes of a new life can turn sour quickly. Last year, the Austrian police and army caught 12,000 illegal immigrants from Asia, Africa and eastern Europe. Many are taken to Hungary by unscrupulous international couriers and unloaded from buses and vans within walking distance of Austrian territory. Then, they are on their own.

In Austria, as across the whole of Europe, the strains are coming to the surface. Last year, 27,000 people applied for asylum – more per capita than in Germany. An additional 13,000 fugitives from the civil war in Yugoslavia – most from Croatia – were given temporary refuge in Austrian homes, hostels and church buildings. Anti-foreigner sentiment helped Austria's nationalistic Freedom Party to a sharp surge in council elections last November. Jörg Haider, the party's demagogic leader, used the slogan "Vienna for the Viennese," in his November campaign.

General elections in Switzerland and Belgium last year produced a marked far-right shift. Jean-Marie Le Pen's *Front National* (FN) in France attained 13.9 per cent of the vote in regional elections in France in March. And in Germany on April 5, the ultra-right German People's Union and Republicans parties swept into state parliaments in Schleswig-Holstein in the north and Baden-Württemberg in the south. Christian Käs, the Republicans' leader in Baden-Württemberg, accuses the country's established politicians of showering largesse on asylum-seekers while plunging east Germans into poverty.

Ballot-box support for such parties parallels an increase in racially-motivated violence. Even peaceful Sweden has seen an increase in apparently motiveless attacks on foreigners.

In Germany, where racial attacks have become almost routine since the autumn, the number of immigrants camping out in Munich has prompted fears that the city's traditional autumn beer festival could be cancelled. An Interior Ministry official in Bonn says: "The asylum problem, linked to worries about law and order, is the number one question. It's only a matter of time before this blows up."

Tension is certainly in the air at a sprawling camp for displaced foreigners in the town of Traiskirchen, near Vienna. Since 1956, the former Austrian military academy has been a transit centre. Around 300 asylum-seekers live there. They stay for a few days to complete formalities before being allotted more permanent quarters in guesthouses and hostels around the country.

Under recently-toughened laws, asylum-seekers who arrive in Austria from "safe" countries can be expelled summarily. Some immigrants throw away their identification papers to hinder the authorities. Faced with such awkward charges, the camp staff are not overly sympathetic. "The niggers are this way," said a young administrator, bustling through the building towards a group of Sudanese men cutting each other's hair in the corridor. In an attempt at heavy irony, directed at the administrator, one man grins: "The Austrians are not racists. Oh no, they are not Nazis."

The atmosphere 600 miles away, in the south of France, is only a little less chilly. Fréjus, an undistinguished, sun-specked town of 40,000 between Nice and Toulon on the Riviera, is home to 4,000 foreigners, most from North Africa. Some are new arrivals but most have lived there for years, normally in relative harmony with the locals.

In January, however, police swooped on a shanty town near the railway station housing immigrant workers. They arrested 12 people on arms or drugs charges and 18 for holding invalid identity documents. Municipal employees then pulled down some of the shacks. The *Front National* claimed the ramshackle village was not only a centre for drugs dealing but also an illegal source of cheap labour for construction companies, undercutting normal pay rates.

On the outskirts of the town is the Agachon housing estate which the local FN labels a "ghetto." It is a fairly basic, low-rise housing complex, renovated and whitewashed in the best Mediterranean style. Many second-generation immigrants living here have parents who came to France from the Magreb during the 1960s' boom. Marcel, a young mixed-race resident, tells me that one of his parents came from Africa but he has French nationality. He praises behaviour on the housing estate compared with others in the town.

Fifty miles westwards, in the port of Toulon, Jean-Marie Le Chevallier, a bespectacled European parliament deputy for the FN, who propelled the party to 29 per cent of the vote in the town in the March elections, tells a different story. Over lunch in his dusty house, he holds forth on the Front's repatriation policies. What, I inquire, would he do with Marcel? "Ask him: 'Does he love France?'" replies Le Chevallier, between mouthfuls of lamb and red wine. The implication is that, if Marcel does not, he would be deported. Le Chevallier adds: "It is less costly to spend billions to return them to Algeria and Tunisia than to have a civil war."

He claims that immigrants in France were, simultaneously, taking jobs away from the French and sponging on social security. "You earn more for doing nothing here than by working in a developing country."

As the chief destination of European immigration, Germany is at the eye of the storm. The town of Unna-Massen, an hour's drive from Dusseldorf in the prosperous state of North Rhine-Westphalia, is host to one of the country's best known refugee transit centres. Opened in 1951 for German refugees expelled from Poland, last year it was temporary home to 60,000 ethnic Germans from the former Soviet Union and eastern Europe.

Jürgen Kraska, the camp's deputy head, thinks numbers will increase this year because of "uncertainties" in the Soviet republics. He said that more Soviet Jews – given special status in Germany – are turning up at the camp, reporting anti-Semitic attacks around Moscow and St Petersburg.

Among the roughly 2,600 inmates is Erika Ems, a wizened lady from Kazakhstan. She is glad to be here. "It is like the difference between day and night," she croaks. Peter Potempa, an engineer who says he left Poland because "nothing has changed" after the end of communism, is looking forward to getting a job in Germany. Potempa, however, speaks only Polish – and, in western Germany, jobs are growing scarcer.

To cope with growing public irritation about unkempt refugees clogging Düsseldorf, the North Rhine-Westphalian government is trying revolutionary methods to try to stem the exodus from south-east Europe. It has allocated around DM20m (£6.80m) for a programme of house-building and job creation in the Macedonian town of Skopje, and repatriated itinerant Macedonians who were camped in tents on Düsseldorf's Rhine banks. Albert Harms, the enterprising government official who negotiated the arrangement, says the deal could save money by pruning state government spending on social security for asylum-seekers.

Schemes like this offer a constructive way of easing migration pressures. In general, however, governments throughout Europe are tired of putting up funds, and are talking of putting up barriers instead. As the havens grow less secure and more unwelcoming, the tide of those seeking to come ashore shows no sign of ebbing.

## CONTENTS

Long View / **Barry Riley**

# Update on the bull market

UP GO those share prices. London has been following Wall Street into new high ground this week, with the Footsie Index breaking through 2700, and even poor old Tokyo has been staging something of a rally.

There is nothing like a fall in interest rates to stimulate the stock market. Mathematically, it is worth paying more for a stream of future dividends if the *alternative rewards for investment* are coming down. Of course, you can argue that short-term interest rates, which fell in the UK this week, are less relevant than *long-term bond yields*, or perhaps the real return on index-linked gilts. However, it is spring, and there is economic recovery in the air, if not yet in the statistics.

The stock market is the most sensitive indicator we have. Other asset markets are not yet giving the same signals: the dreary old residential housing market, for instance, was still heading downwards in April according to the Halifax Building Society. The average house last month was worth 5.5 per cent less than a year earlier.

You would not expect the house market and the stock market to move precisely in line. The market in homes is very inefficient because people tend to hold their property off the market *rather than* accept what they consider to be unrealistic prices.

There are no market makers to cut prices to whatever level will stimulate demand. Funnily enough, though, share prices at the beginning of April, ahead of the election, were running 5 or 6 per cent below their year-earlier level, extraordinarily similar to the pattern in house prices.

It was the election result that transformed the *stock market, leading to a* jump of 12½ per cent since two days before the poll. Estate agents will no doubt be anticipating a similar effect in the property market, but there is a big overhang of unsold homes to be cleared.

However, just as Wall Street is supposed to have signalled five of the last three recessions, for the London equity market this is the second celebration of the coming recovery. Share prices were buoyant late last summer as interest rates fell and the politicians tried to talk the economy up.

As base rates dipped to 10½ per cent at the beginning of September the FT-SE 100 Index hit an all-time high of 2679.6 which has not been exceeded until this week, as the next half-point has finally come off short-term interest rates after eight months. In the meantime the economic upturn scheduled for the third quarter of 1991 has been postponed: it *may* be happening in the *second quarter of 1992*.

And although the overhang of supply is not so immediate as it is in housing, where estate agents' windows are full of *highly desirable but highly unshiftable* properties, or even in the gilt-edged market, where the Bank of England has eagerly sold at least £4bn of new bonds into the post-election upsurge, *the flow* of share issues will soon begin.

It takes a few weeks and months before the merchant bankers can groom their corporate clients to exploit better market conditions, but we know that several big flotations and secondary offerings are in the pipeline: they include GPA, 3i and the Daily Telegraph, while another £4bn worth of Wellcome is in the offing. Rights issues are rather more problematical to predict: after last year's huge flow of more than £10bn the pace has slackened. But it might *accelerate again if the economy* improves and companies become confident they will not risk debacles such as the British Aerospace issue last year.

I would be surprised if the UK stock market were to advance very much further from here, but it cannot be ruled out: markets often overshoot. And I see from a circular by Kleinwort Benson's chartist Nick Glydon that the seasonal pattern in equities appears to have changed in the past five years so that July or August rather than May are the best months to take profits. We need a new rhyming wisdom: *sell in Jul or look a fool, perhaps?*

With the dividend yield now down to little more than 4½ per cent the market can no longer be said to look superficially cheap, given that the prospects for dividend growth over the next year or two are dreary. The yield gap over index-linked gilts has shrunk to about 0.1 per cent, compared with a typical 0.5 per cent or so over the past few years; this gap has never gone negative except in the few months before the 1987 crash, and if this reversal happens again we should take it as a warning.

The longer-term perspective is that the London stock market is now 19 months into a bull market that began in the autumn of 1990 (the precise timing being related to the Gulf crisis, however, rather than domestic factors).

Since the turn, share prices have *climbed by 35 per cent*, the bulk of which was achieved within the first year. We are only just emerging into new all-time high ground, and in fact the advance by the broadly-based All-Share Index is no more than 5 per cent since the old July 1987 peak. Admittedly there has actually been a fall in real terms of a substantial 23 per cent since then, but at that stage the market was seriously overvalued (a few weeks after a Tory election victory, incidentally, albeit a confidently expected one).

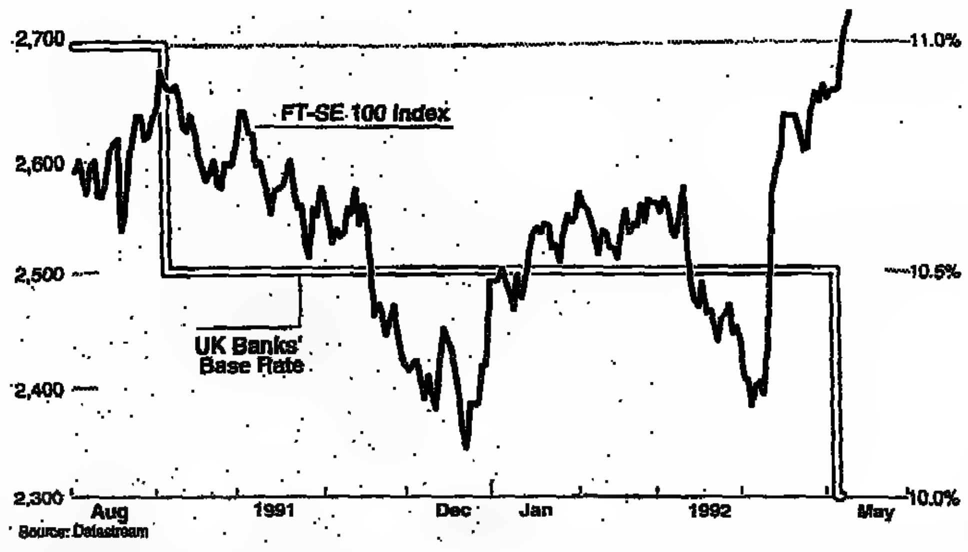
Another significant upward leg of the bull market will need to be supported *by company profits*. Earnings per share have fallen by about 8 per cent on industrials over the past year and the historic price-earnings ratio is a demanding 16.5. It would be reasonable to expect earnings per share to rise by 15 per cent this year if the economic recovery comes through on any scale, but even so the p/e would remain quite demanding. Later on the recovery seems bound to bring problems with the balance of payments and the financing of the government's deficit so 1993 could prove hard going for equities.

But I don't want to spoil a good story by adding an unhappy ending.

London Markets

# The only way is up – or maybe down

*By Maggie Urry*



GLOOM abounded this week. The largest all-British oil company announced its first loss. A huge property group teetered *on the brink of collapse*. Retailers warned that there were few *signs of life in the high street*. Dividends were cut or paid uncovered. *And the stock market . . . umm . . . start again.*

*Glorious sunshine on the* May Day bank holiday set the tone for the week in the stock market. New records were set as the *FT-SE 100* index steamed through 2700 and closed yesterday at 2725.7, up 65.9 on the week.

Base rates were cut on Tuesday morning, as were mortgage rates. Sterling blazed against the German mark. Reviving consumer confidence lifted new car sales in April for the first time in 30 months. *Local government election* results confirmed the Tory victory *in the general election*.

Listen to a few stockbrokers and *it is soon clear that the* next significant move in the market will be up – or, possibly, down. That's what makes a market, they say. The bulls are still charging towards 3000; the bears are selling at best.

A record high provides a good moment to look at the two sides of the argument. As the chart shows, the last cut in base rates, in September, coincided with the market reaching an all-time high. It then *retreated for the rest of the* year. Will share prices follow *the same pattern this time?*

The bull case is that the Brit*ish economy is starting to pick* up, and this time that is definite. Although the revival will be slow, the UK stock market should do what Wall Street has done – anticipate the recovery.

At the same time, foreign investors are now persuaded that Britain is a politically stable place to put their money with the added prospect of a rising stock market. Cuts in interest rates *attract*, rather than deter, funds. Sterling *rises as cash flows in; that* allows further rate cuts, stimulating the economy, and so on round the virtuous circle.

Britain has looked more attractive to international investors as the situation in Germany has worsened. As the former model of financial rectitude was yielding to union demands, the large interna*tional securities firms advised* clients to shift their European *portfolios to the UK.*

Now for the other side. The bears agree that there are some signs of economic recovery. But, they say, the stock market has more than discounted this already, and the same event cannot be discounted twice.

At the all-time high last September the market was on an historic p/e of 14½. Now it is on a multiple of 16¼ times, the *difference caused by the sharp* drop in earnings reported between the two dates. The market is already at a high valuation, and it will take concrete earnings growth before the p/e falls enough to make it worth buying again.

The bears explain this week's rise by summoning up the twin spirits of foreign buyers and squeezed market makers. As far as the bears are *concerned, foreign buyers rate* just above taxi drivers in their *understanding of the stock* market, and a squeeze on the *market makers is dismissed as* "technical factors".

The phlegmatic bears just see the week's rise as an even better selling opportunity. They were feeling rather exposed for most of the week, but yesterday afternoon's sale by Hanson of its 2.8 per cent stake in ICI gave a boost to the bear case.

*On* Tuesday the base rate cut brought an early jump in the *market, but the high for the* day was at 8.38am. By the close the *FT-SE 100* was only 2.4 points higher. That suggests that UK investors were unexcited about the rate cut once it had happened – or possibly that they had taken Tuesday off work as well as Monday.

The buying started in earnest on Wednesday as the foreign investors – the theory goes – read about the interest *rate cut in their newspapers.* They found the market makers short of stock and pushed the index up 36.5 points to a close just short of 2700. Thursday was another dull day, with a 3.2 point gain just tipping the index over the 2700 level, and then yesterday saw another surge after the local election results.

Certainly there has been little to inspire confidence in the week's company news. On the positive side, the prospect of a real bid from Lloyds Bank for its rival Midland is still being dangled tantalisingly. That is even after the apparent setback to Lloyds of the probable different treatment by competition authorities of its bid, and that from Hongkong and Shanghai Bank.

*But elsewhere there are fur*ther reports from the recession *front line. British Petroleum* made a first quarter loss but maintained its dividend. Trafalgar House, the property, construction and engineering group – which owns the Ritz Hotel and the QE2 as well – halved its interim dividend in spite of an 18 per cent rise in pre-tax profits to £54m. The new dividend rate is more likely to be sustainable.

Tate & Lyle, the sweetener group, suffered a dip in interim profits, from £94.7m to £92m, *after some years of strong* earnings growth.

Retailing is still not a happy industry with Sears, the shoe shops to Selfridges group, reporting a 45 per cent fall in annual pre-tax profits to £81.2m – and that is before the housebuilding business was pushed below-the-line. British Gas discovered what it is like to operate in the new low-inflation environment, *when it was told by its* regulator to cut prices. Analysts estimated a 2p a therm cut would knock £250m from annual profits of over £1bn.

Meanwhile, in the casualty ward, Olympia & York, with property assets which could be called liabilities, and WPP, whose assets go home every night, both think their banks would like to swap some of *their loans into shares. Is that* top of the market talk?

**HIGHLIGHTS OF THE WEEK**

| | Price y'day | Change on week | 1992 High | 1992 Low | |
|---|---|---|---|---|---|
| FT-SE 100 Index | 2725.7 | +65.9 | 2734.8 | 2382.7 | Interest rate cut/recovery hopes |
| Amstrad | 39½ | +5½ | 41 | 23 | Recovery prospects |
| BET | 162 | +20 | 216 | 106 | Warburg 'buy' recommendation |
| Bass | 645 | +40 | 650 | 481 | Economic recovery hopes |
| British Airways | 283 | -10 | 295 | 219 | Rights issue fears |
| BP | 251½ | -18½ | 304 | 239½ | Disappointing figures |
| Euromoney Publicns | 785 | +112 | 788 | 553 | Impressive profits |
| Glaxo | 777 | +57 | 943 | 706 | UK approval for Zofran |
| Granada | 285 | +16 | 288 | 192 | Smith/Nomura 'buy' |
| JLI | 135 | +20 | 135 | 105½ | Successful rights issue |
| Lex Service | 288 | +34 | 288 | 165 | Improvement in car mkt predicted |
| Sears | 99 | -6 | 113 | 89 | Poor trading performance |
| Smurfit (Jefferson) | 590 | -33 | 670 | 575 | Gloomy trading statement |
| Thorn EMI | 884 | +33 | 884 | 704 | Strong leisure stocks |
| Vodafone | 369 | +20 | 385 | 300 | Kleinwort positive |

Serious Money

# Doublespeak in the finance game

*By Philip Coggan, Personal Finance Editor*

MY OLD friend Professor Walt Anschaung was very excited when I saw him this week, as he prepared for his annual lecture on doublespeak to the Winston Smith society.

"Zere are some very innovative uses of language at the moment," he exclaimed. "I think I may have a chance of the Nobel prize in surreal semantics. Take ze reduction in UK base rates this week by *chancellor Norman Lamont*. I saw one tabloid paper announce *that millions of* homeowners were given a welcome cut in mortgage rates as a consequence."

"What was wrong about that?" I asked, innocently.

"It was a bit premature. Most lenders that announced a cut made one for new borrowers only. And in the current state of the housing market, there are hardly any new borrowers. All that good publicity will cost the societies, as you say in England, only tiny spuds."

"So what will *happen* to existing borrowers?"

"They will *have to wait*. A change will be announced in due course, as they say, which probably means a month or two before their bills fall. Meanwhile, savers are going to see their rates reduced almost immediately. Although, of course, it will not be described as a cut."

"Take two advertisements *from* the Halifax this week," said the Professor, pulling *some clippings from his white* coat. "How low can you get, *asks* the first, *following* it up with the words (in bold type and capitals) 'new reduced mortgage rates.' But the second says merely Notice to Halifax customers, with underneath the words (in restrained type) 'Halifax Building Society announces the following changes to interest rates.' No mention of a cut, or a reduction at all."

"At least the Halifax is advertising its changes," I pointed out. "Remember all *those societies* which replaced their old accounts without letting their customers *know?* That's another good piece of doublespeak – societies are run for the benefit of their members."

"Indeed," the Professor pointed a finger at me accusingly. "You never told me what an exciting field you worked in. The financial services industry could hold a gargantuan gala of gobbledegook every year. Take bonus rates *on endowment policies*, for example. There has been a round of *bonus cuts on those* policies. But do the companies call them cuts? No. They are described as adjustments.

"Even National Savings *is* not immune," he continued. "The recent ads for its capital bonds had the rate – then 11.5 per cent – in big letters. Investors were told that they had to pay tax on the interest every year, but what was not clear was the fact that no income is *paid out*. You only receive the return when you cash in the bonds. So an elderly investor who wanted income every year might have been *disappointed*.

"And then there was an advertisement from the Homeowners Friendly Society. It offered a bond where you could take up to 15 per cent income a year. Sounded a great deal. But, of course, unless the bond performs extremely well, then taking as high an income as that would cause a decline in your capital."

"Didn't the ad refer to that risk?" I asked.

"Well, it did say that taking an income which is greater than the growth rate would reduce your capital *over time*. In fact, it would reduce your capital straight away. The unsuspecting investor might get a very nasty shock."

"So what can the poor consumer do, Professor?" I asked.

*"My new book, 1984 ways to confuse the financial services consumer* (available from room 101 of all good bookshops) will, as zey say, suck the lid off the whole caboodle. *It* will cost £5.01, of course. I hate things that are priced at £4.99."

"Enough of the plug" I said. "Give me three points for the consumer to remember."

"OK. First, remember that you have to look after number one. Do not assume that a financial institution is as protective as your big brother. You have to monitor your *savings* and your products to make sure you are being fairly treated. *Ignorance* isn't strength.

"Second, read the small print. The financial services regulatory structure is far from perfect but it normally does ensure that the vital information appears somewhere in the documentation. And if you don't understand the jargon, ask. Don't buy the product until *you* are sure. There is rarely any need to rush.

"Third, use a good financial adviser, preferably one who charges a fee. They can be great at sorting out the pros and cons of an investment, like the Pensionsline service you have written about this week on page V."

"More specifically, Professor," I said, "what can savers do in the future? Interest rates are *falling* and some *expect* base rates to reach 8 per cent by the end of next year."

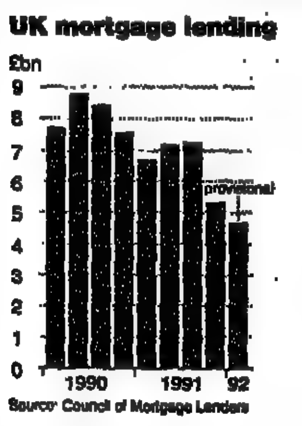
"Well, if you don't need income, then the National Savings fixed rate products, even at reduced levels, still look attractive. If you do need income, then gilts currently yield over 9 per cent *to* redemption, although you need to realise if you buy one above par value that, in return for a higher running income, you face a capital loss."

"One last question, Professor," I asked. "How do I finish this article?"

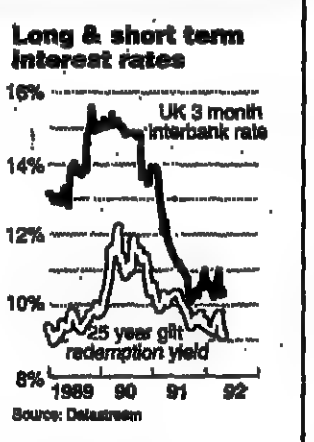
"*Easy*," said the sage. "Orwell's that ends well."

**AT A GLANCE**

**UK mortgage lending**



**Long & short term interest rates**



## Housing market still gloomy

*Hopes for a quick recovery to the housing market still look far* off as lending for house purchases continues to reveal a steady *decline. Quarterly figures released this week were described* by the Council of Mortgage Lenders as "very subdued." They show that net *new lending by banks, building societies and* other financial institutions for house purchases dropped in the last quarter to £4.6bn compared with £5.4bn in the last quarter of 1991. The Halifax house price index, also released this week, fell by 0.4 per cent last month. The building society said that, "even adjusting for seasonality, the trend in house prices also remained weak." UK house prices are now 5.5 per cent below this time last year.

## Yield curve flattens

*The cut in base rates this week further narrowed* the gap between short and long term interest rates (the yield on long-dated gilts). *For a long time,* it was standard for short term rates to be below long term – in the jargon, a positive yield curve – but *in recent times a negative yield curve has been* the norm. Forcing short term rates any lower will probably require a similar move in Germany.

## Charity donation limit cut

The minimum limit for donations to charity which receive tax relief *under the government's gift aid scheme is to be reduced* from £600 to £400, as planned in the Budget. In answer to a parliamentary question, Sir John Cope, Paymaster General, said the forthcoming finance bill would change the limit with effect from May 7. The rules governing tax relief on some charitable covenants will also be relaxed – to allow charities to continue receiving relief after the four year renewal date – from the same time.

## Britannia ends share deal service

Britannia Building Society is stopping its *share dealing service* with effect from May 31. The society says it has seen a significant drop in turnover and feels that there is a lack of consumer demand for the service, which was introduced at the time of the privatisations. No new transactions will be accepted from May 18 and the society is rebating customers the initial administration fee they paid to open a *sharedeal account.*

## Watchdog changes name

The Investment Referee is changing his name. He will now be *known as the Investment Ombudsman.* But he *will still deal* with complaints from clients of companies which are members *of the Investment Management Regulatory Organisation. A* free leaflet which explains how to complain about an IMRO member is available *from: The Office of the Investment Ombudsman,* 6 Frederick's Place, London EC2R 8BT.

## Smaller companies rally

Small company shares continued their recent rally this week. The Hoare Govett Smaller Companies Index (capital gains version) rose by 2.2 per cent to 1276.32 over the seven days to May 7, while the County Small Companies Index also rose 2.2 *per cent to 1006.1* over the same period. This week, Perpetual is launching a smaller companies unit trust which has an initial *charge of 5.25 per cent* and an *annual fee of 1.25* per cent. Minimum initial investment is £1,000 and there is also a savings *scheme option of £100* a month.

Wall Street

# After the storms, the calm . . .

SIGHS OF relief rumbled round Wall Street all week.

*First*, there were no more riots, only the sad repairwork which followed one of America's most uneasy weekends. Second, there were no surprises on the economic front, just further confirmation that the nation is inching its way out of recession.

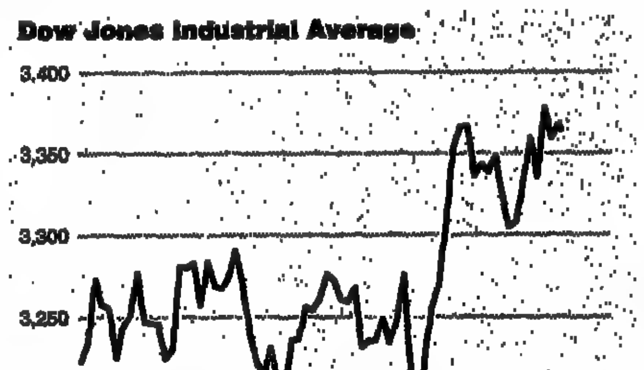
*The one disappointment was* the absence of any additional reduction in interest rates. By mid-week, hopes that the authorities would insure against any slackening in the recovery by easing credit further had become widespread. This could have had the effect of pushing down competing yields, giving the stock market a *compensating fillip*.

But it was not to be – and on the economic evidence unveiled last week, such action would barely have been justified, weakness in US money supply figures notwithstanding. On Thursday, for example, the nation's retailers, reporting April sales figures, showed fairly heartening advances. A day later, the April jobs data *also* demonstrated a more healthy trend.

On the retail front, comparisons are muddied by the shift in Easter spending from March in 1991 to April this year; to the lousy spring weather so far in 1992; and to the impact of the Gulf War on consumer confidence last year. But those caveats aside, most of the big *retail chains saw same-store* sales rise by anything from 5 to 13 per cent.

Only Sears, Roebuck, the troubled Chicago-based group whose management has been the target of shareholder dissatisfaction, moved in the wrong direction, posting a 2.1 per cent drop. It was scarcely the best augury ahead of Sears' annual meeting next Thursday, and the group's *shares eased to $42⅞ on Fri*day morning, down $1 on the week.

Friday's unemployment figures were equally upbeat. Non-farm payrolls grew by 126,000 last month, while most pundits had pitched their forecasts at about half this number.



March non-farm payrolls were *revised upwards*. And the overall unemployment rate fell to 7.2 per cent in April, compared with 7.3 per cent in the previous month. Some analysts had suggested that it would remain static.

Not surprisingly, the bond market weakened *initially* – although, by lunchtime, the *long bond yield was still shy* of the 8 per cent mark. Most pundits believe that the relatively strong employment report will stay the Federal Reserve's hand in the immediate future, although views differ on whether another easing is now ruled out in the future.

If interest rate reductions *are postponed* (or *omitted*), it seems unlikely that Wall Street will show much progress.

The Dow Jones Industrial Index moved to a new high of 3,378.13 by Monday's close – in part, a reaction to Friday's sell-off and relief that rioting in Los Angeles had *stopped*. But, despite the subsequent *interest rate speculation*, the stock market failed to follow through in any of the following sessions. Instead, the Dow yo-yoed its way to the 3,365 mark by Friday lunchtime. "Even the rampant bulls have to be concerned about the lack of follow-through," commented one trader.

Signs that a plateau has been *reached may be most* apparent in the new issue *market*. In the first few months of the year, this became a hubbub of activity as companies rushed new equity to the market, tapping eager investors for much-needed capital.

This week, however, Payless Cashways, a well-known building materials retailer which was taken private *via* a management buyout in 1988, joined a lengthening list of companies which have recently cancelled stock market flotations. The company, which had planned to raise over $400m, cited market conditions.

*The Payless action follows* that of GPM Gas, a unit of Phillips Petroleum, and seems to confirm fears that the new issue market is turning sticky. There is, moreover, the huge $2bn-plus General Motors issue to get away later this month, while recent estimates have suggested that the total backlog of shares still up for sale *tops* $13bn.

Somehow, supply and *demand* do not seem to be in the same happy proportions which drove the market upwards earlier this year.

***Nikki Tait***

| | | |
|---|---|---|
| Monday | 3378.13 | + 42.04 |
| Tuesday | 3359.35 | – 18.78 |
| Wednesday | 3369.41 | + 10.06 |
| *Thursday* | *3363.37* | *– 6.04* |

The Bottom Line

# BAT runs smoke rings round history

WHEN BAT Industries reported a 14 per cent rise in first-quarter pre-tax profit on Wednesday, you had to pinch yourself to remember that it was only two years since Sir James Goldsmith abandoned his attack on the conglomerate.

The "unbundling" of retail*ing and* paper *now seems like* ancient history and no one any longer raises an eyebrow at the incongruity of BAT's remaining twin pillars of tobacco and financial services. The share price performance – beating the FT-A All-Share Index by 20 per cent since the beginning of March and hitting a *high of* 807p last night – is evidence *that the strategy has* paid off.

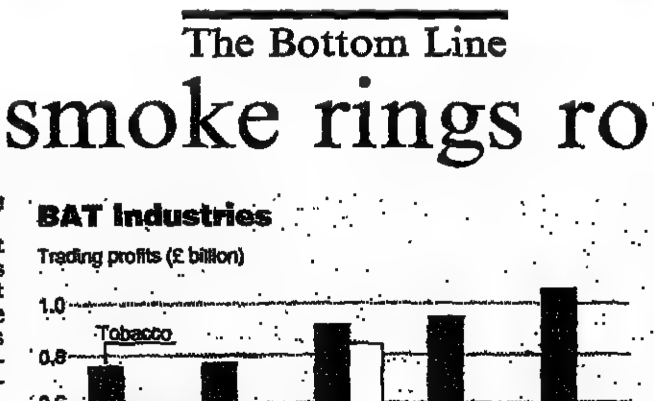
But with Eagle Star, the insurance subsidiary, making terrible losses in the mortgage business, the improved perception of the group owes more to the relentless rise in tobacco profits (see chart) than to the newer, fancier financial services wing – which cigarette cash has helped to feather.

An interesting statistic that did not make it into this week's presentation was that in the past five years, the world market for cigarettes open to international producers has increased from 1.7 trillion (thousand billion) to theoretically encompass the whole market of *5.4 trillion – includ*ing China, which remains difficult to penetrate.

The growth has come from the ending of state monopolies in various EC countries, the opening up of the Far East under US trade pressure and the lifting of the curtain on *eastern Europe*.

Fuelled by such US and UK brands as Kent, Lucky Strike and State Express 555, export volumes rose by 18 per cent in the first quarter.

The potential for increasing penetration of new markets is illustrated by Japan, where the proportion of imported cigarettes smoked has risen from 3 per cent to 17 per cent.



A *few years ago, it* would have been regarded as both tasteless and financially unsound to talk in a bullish fashion about the prospects for tobacco. The spreading of concern about the health risks was deemed to have turned the market "ex-growth". Now, however, financial sentiment has changed. The very bottom line is that BAT has been able *to continue increasing* dividends in spite of the problems at *Eagle Star*, enabling it to be compared favourably with the composite insurers.

Nevertheless, the fall in the trading profit of continuing businesses, from £1.76bn in 1989 to £1.27bn last year, suggests that the *diversification* into financial services has been far from smooth. When the division's performance is broken down between the three main subsidiaries it is easy to spot the culprit: Eagle Star made a trading profit of £294m in 1989, but lost £392m last year. Meanwhile, Farmers Group, the US insurer bought for *$5.2bn (£2.93bn) in 1988*, increased profit from £327m to £359m and Allied Dunbar, the life business, chugged ahead to £121m from £107m.

As Farmers was bought for cash, the financing cost has been substantial. In the first quarter it knocked about 40 per *cent off a record trading* figure of more than £100m.

Even the debacle at Eagle Star is now seen in a relatively sympathetic light. Although it paid partly for its aggressiveness in the mortgage indemnity market, the whole industry was caught out by *repossessions and falling* house prices.

*Eagle* Star is now credited with moving towards lower-risk personal lines, with making the necessary premium increases to start rebuilding margins and *with tackling the* issue of distribution, which in the UK is *typically done* indirectly, through brokers.

Recovery potential in financial services gives BAT two strong cards in the market rating game: steady growth from tobacco and bounce-back in the recession-hit *part. Hence the* high share price.

Has it gone far enough? At last night's close of 807p, the prospective price-earnings ratio was 15 to 16 on a pre-tax profit forecast of about £1.5bn.

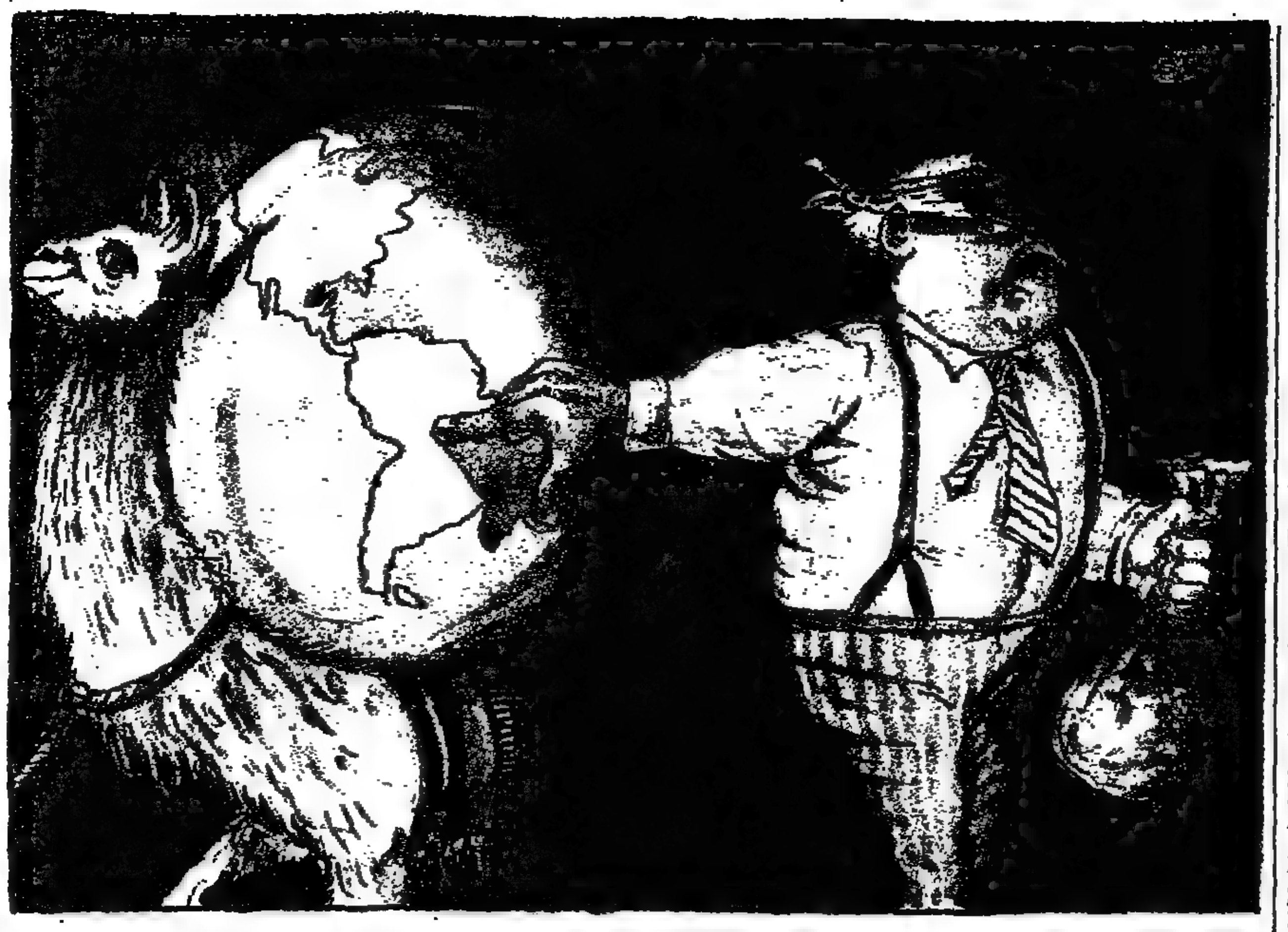
The premium of roughly 10 per cent to the market looks deserved, bearing in mind the above-average yield and prospective dividend growth ahead of inflation. While scope for progress from a high point is limited, smokers would have done well to put their money where their mouth is.

***Jane Fuller***

FINANCE

# El Dorado: the search goes on

*Philip Coggan on the risks and rewards of emerging markets*



FOR HUNDREDS of years, explorers and investors have dreamed of faraway cities, with streets paved of gold. And in the 1990s, there is a school of thought which argues that real riches can be found, not in the stock markets of developed countries such as the UK and the US, but in the shares of emerging markets further afield.

Profits have been discovered already. In 1991, Latin American Investment Trust was the best performing of all investment trusts, and the list of top ten unit trusts over the five years to end April includes both Abtrust's Far East Emerging Economies and the Prosperity Emerging Markets funds.

The arguments for investing in emerging markets are simply put. These countries have higher economic growth rates than the developed world, and this should continue, thanks to rising life expectancy and improving education.

The developing countries produced a 5.9 per cent GDP growth rate from 1965-80 and 4.3 per cent during 1980-89, according to the World Bank; the equivalent figures for the industrial countries in those periods were 3.7 and 3 per cent respectively.

The stock markets of emerging countries represent a much smaller proportion of their gross domestic product than their equivalents in the industrialised world. Many emerging countries are introducing "free market" reforms to encourage the growth of the private sector, and are opening their stock markets to foreign investment. In short, these economies are dynamic and should provide more opportunity for profit than countries in the staid West. After all, Japan was an "emerging market" in the 1960s.

But there are dangers. The under-developed state of these stock markets means that trading is illiquid, which may mean sharp swings in prices. Shares can easily fall or rise by 10 per cent in a week.

There is no universally agreed definition of an emerging market. In recent listing particulars from Templeton Emerging Markets Investment Trust, an emerging market was defined as a nation with a low or middle income, or one where stock market capitalisation is less than 2 per cent of the world index. Over 75 per cent of the world's population live in such countries, according to Templeton.

The vast majority of these emerging markets are found in three areas; Latin America, south east Asia and the Mediterranean. African and eastern European countries are seen as prospects for the future, but investment is still limited.

■ The areas

In the minds of many investors, Latin America is probably still associated with hyperinflation and military coups. But, according to William Calvert who runs the Prosperity Emerging Markets trust, "the whole financial structure of Latin America has been redesigned."

Market reforms have been introduced and democratic regimes are in place in many nations. "South America has been reverting to the promise of the 1950s and 1960s," says James Fairweather, who manages Martin Currie's emerging markets fund. "The region lost its way in the 1970s, and the economy went nowhere in 1980s," he adds.

The huge rises in Latin American share prices last year – the Argentinian market was up 400 per cent in 1991 – might seem to suggest that private investors have missed the boat. But Audley Twiston Davies, of Latin American Securities, says the amount of foreign money which has moved into Latin America has been relatively small. While many institutions will have a stake in one Latin American company, very few will own shares in ten.

Davies says that some Latin American markets still look good on fundamental grounds, citing Mexico where earnings growth is expected to be 25 per cent and the prospective price-earnings ratio is only 12.

The dynamism of the South East Asian economies has been appreciated by outside investors for some time. Many of the so-called "tiger economies" are candidates to repeat the Japanese performance. And recently, investors have become excited by prospects for China, which seems to be opening up to economic, if not democratic, reform.

Although there are a few quoted Chinese companies, the common route for those wishing to invest in China has been via Hong Kong companies with operations on the mainland. That has helped push Hong Kong shares to all-time highs.

Scott McGlashan, who runs Perpetual's Asian smaller markets fund, has been taking some profits from Hong Kong but is still optimistic about the prospects for south east Asia, since he believes the region should benefit from a US economic recovery.

■ How to invest

Investing directly in stocks in this area is out of reach of all but the wealthiest. For most investors, a collective fund (unit or investment trust) is the obvious route.

There are three sorts of fund, in roughly descending order of risk. The first is an individual country fund; the second is regional; and the third is an emerging markets trust, which invests across the world.

But just because an emerging market fund invests in a wide range of areas, that does not mean it is immune from decline. The stock market crash of 1987 showed that markets round the world could be affected by the same event. A breakdown in the Gatt talks on world trade might affect sentiment badly, suggests Angus Tulloch, who manages the Stewart Ivory new Pacific trust (although he is very positive for Asian shares on a five to ten year view).

However, a broad fund seems the logical first step in this field. Brian O'Neill, who runs Gartmore Frontier Markets fund says: "Areas which are flavours of the month can come and go. Latin America is currently in fashion but in 1989 it was Turkey and Greece. We think the retail client wants a broad interest in emerging markets."

Having chosen the geographical scale of the fund, the investor also has to choose between a unit and investment trust; each has different attractions. A unit trust offers the retail investor the ability to sell at net asset value at any time. But that very liquidity can cause a problem for the fund manager, who may be forced to sell stocks at rock bottom prices in declining markets in order to meet redemptions. Thus unit trust performance can be hit hard in declining markets.

The investment trust manager does not face that risk – he can afford to leave his portfolio untouched through a bear market. But the risk is passed on to the investor. If the county or region falls out of favour because of a declining stock market, the investor may find that not only does the asset value of the trust decline, but his shares fall to a discount. So the investor suffers a "double whammy".

There are six emerging market investment trusts, although only two have records lasting three years – and both have shown declines over that period. However, Templeton Emerging Markets has a very good two-year record, with 76 per cent growth (mid-market to mid-market with income reinvested) and Latin American Investment Trust was up 64 per cent over the last year.

Among the unit trusts, bid-offer spreads tend to be slightly higher in this market (the average for the ex-Japan Far East funds is 6.3 per cent) so investors' money will have to work harder to make a profit.

# More bait for home buyers

*First-time home buyers are getting better deals, says David Barchard*

THERE was good news for would-be home buyers this week as Halifax, Abbey National, and Nationwide, the three largest UK mortgage lenders, trimmed their rates in the wake of Monday's cut in bank interest rates.

Halifax cut its standard mortgage rate 0.3 percentage points to 10.65 per cent. Most other building societies will probably move rates down in line with Halifax to around 10.65 per cent or 10.7 per cent.

The good news was mainly for new customers. Existing customers of most lenders will have to wait for another month or two for the new rates to apply to them.

The banks and centralised lenders also face strong pressure to bring their rates down in line with the societies. With interest rates low on the commercial money markets, the centralised lenders ought to find it easier to compete with the building societies, which fund their loans mainly out of savings placed with them by their customers.

UCB Home Loans, for example, cut its variable interest rate for new customers by 0.51 percentage points to 10.99 per cent. Existing customers are promised a cut before too long. But this "new rate", it is worth noting, is only what most lenders were offering as long ago as January. Most other centralised lenders are also still lagging the societies on their variable lending rates and are trying to conceal this gap by filling their shop-window with tempting fixed rate offers.

When the cuts feed through to existing borrowers, they are unlikely to make a huge difference to their personal finances. The Halifax cuts are worth, for example, between £8 and £10.50 a month on a £50,000 mortgage.

The cuts should encourage the market and help housing sales revive. If house prices start to strengthen, existing mortgage customers will benefit, especially those who have postponed a move until the housing market recovers.

So the lenders are trying to find ways of tempting new borrowers into the market. If you are about to take out a mortgage, you can look forward to a discount which might take your mortgage interest rate, for the first year at least, below 9 per cent.

Abbey National offers a discount of up to 1.75 per cent to first-time buyers. It also charges less as the size of loans increase. Under its new rates, mortgages of up to £60,000 will be cut from 10.9 per cent to 10.7 cent; £60,000 to £100,000 loans from 10.55 per cent to 10.2 per cent; and mortgages above that from 10.4 per cent to 9.99 cent.

However, many new borrowers will be more attracted by the thought of a fixed rate mortgage. There are a number of these around offering rates of less than 9 per cent.

A lot of these fixed rates are only for a year. Northern Rock has a fixed rate of 8.95 per cent until August 1993. But to take advantage of it, borrowers must have a loan to value ratio of less than 70 per cent and must take out buildings and contents insurance from the society.

*If you want a longer term* arrangement, you will have to go above 9 per cent.

*Chase de Vere*, the mortgage brokers, is offering a mortgage fixed for one year at 9.5 then capped at 10 per cent for the following two years. This is available for repayment, endowment, pensions, and Pep mortgages. There is an arrangement fee of £150 and three months additional interest payments for early redemption of the loan.

First time buyers should bear in mind that the latest generation of fixed rate mortgages was designed in the wake of the election and since then the market has become more optimistic. The trickle of lenders offering rates under 9 per cent to new buyers could become a torrent soon.

FINANCE AND THE FAMILY

# National Savings cuts its rates

NATIONAL *Savings overhauled its products this week in the wake of the base rate cut and building* society complaints that its products were luring their depositors away.

Rates were cut by between 0.5 and 1 percentage point across the range. There were also changes in the maximum holdings on certain products. The changes were:

■ *Certificates. The 36th issue* (which paid 8.5 per cent) has been withdrawn; the new 37th issue, on sale from May 13, will offer 8 per cent *tax-free if held for five years.*

This is the equivalent, for a top rate taxpayer, to a gross rate of 13.33 per cent and still looks pretty attractive. Returns, of course, will be lower if you cash in early. However, the maximum holding will be only £7,500, compared with £10,000 for the 36th issue.

The rate on the Yearly Plan has *also been reduced from 8.5 per cent to* 8 per cent, but the maximum monthly contribution has been increased from £200 to £400.

■ Capital bonds. The Series C bonds, which paid a taxable 11.5 per cent, have been withdrawn. The Series D certificates, on sale from May 13, will pay 10.75 per cent per annum if held for five years.

Taxpayers should be aware that, although interest is only paid on maturity, they will be taxed each year as if they were receiving the interest in cash terms.

*The requirement to give three* months notice before cashing in the bonds has been abolished.

■ Children's bonus bonds. Issue A, which paid a healthy 11.84 per cent tax-free, has been withdrawn. Issue B will go on sale from May 23 and will pay 10.9 per cent per annum if held for five years. Returns on all these certificates are fixed, and biased towards those who hold the bonds or certificates for the full five years.

■ Income bonds. The return on these *variable rate bonds will be cut from a* taxable 10.25 per cent to 9.25 per cent from June 18. The maximum holding has been increased from £25,000 to £50,000. Joint holders may now hold up to £100,000 between them.

■ Investment account. The variable return on this account will be cut from a taxable 9.5 per cent to 8.5 per cent on May 19.

■ Deposit bonds. The variable return on these bonds, which are no longer on sale, will be cut from a taxable 10.25 per cent to 9.25 per cent on June 18.

The *building societies will make* their own rate revisions, in the light *of the Chancellor's announcement,* and investors may well find that these National Savings returns are still highly competitive.

***Philip Coggan***

# How to shoulder debt

FOR MANY high-flyers the 1990s have recalled the tale of Icarus, *who flew too close to* the sun and fell into the sea after the heat melted the wax on his wings.

Rather than the sun's rays it *is overborrowing and redundancy* that is bringing so many down with a bump today. Unable to pay their debts, they receive some of the 208,000 county court judgments which are issued each month.

Plunging high-flyers often make matters worse for themselves by desperately flailing about. A private debt counselling firm I visited had just spoken to a man who had rung up an extra £50,000 in unsecured debts in a desperate attempt to find cash to pay his mortgage. Like many professionals he had been ill-prepared for the trauma of being in debt.

*The welfare state provides a* safety net just above ground level – paying mortgage interest and pocket money of around £40 a week. But this net can quickly prove to be a trap. For every £1 a recipient earns, the DSS removes £1 of support.

A *person* with a £100,000 mortgage therefore needs to earn £19,020 before his net income starts to increase. With a £200,000 mortgage the breakthrough earnings are £36,440. No-one who has paid this 100 per cent tax rate at the DSS should ever complain about the Inland Revenue's 40 per cent version.

Last month the DSS torpedoed hopes that the Department of Employment may have *of reducing the nation's dole* queues. From April 6, anyone working over 16 hours a week is disqualified from receiving any income support. Such part-time work is precisely the route that many redundant *executives are likely to take in* re-entering the labour market.

This poverty trap makes it nearly impossible for the former high earner to pay off his or her debts *as extra earnings* do not increase disposable income. That leaves the unaccustomed debtor with the unedifying pauper's progress of summonses, county court judgments and visits from bailiffs.

*The depression* that debt induces often delays consideration of the ways out of this conundrum. One option is personal bankruptcy. Its stigma is *rapidly fading* and more and more people have been unloading themselves of their debts through this mechanism.

In the first two months of the year the number of people making themselves bankrupt *went up by 49 per cent to 1,500* a month. In two years time, if their debts are under £20,000, (three years if their debts are larger) these individuals will enjoy a completely fresh start with nearly all debts written *off. Exceptions include fines* and debts arising from fraud.

Meanwhile, they can earn a basic income of perhaps £15,000 to £25,000 before the official receiver will want the top slice for creditors. The official receiver (or insolvency practitioner operating in his stead) is also considered to be far more generous than the average bailiff in terms of the possessions a debtor may keep.

The pecuniary advantages of *bankruptcy to the debtor* are clear – a modest lifestyle is possible for the two years with no fear of the bailiff calling. But there is also a price to be paid in terms of dignity. After filling forms in triplicate and shelling out £150 in court fees to petition for bankruptcy, debtors have to go before a district judge and then an official receiver to explain their finances. *Remaining* assets are not theirs to dispose of during bankruptcy.

Fortunately for debtors, the surge in applications for bankruptcy means that an individual is unlikely to be savagely *interrogated* by an official receiver's staff. Cases are dealt with perfunctorily.

Other pitfalls of bankruptcy include the utility companies insisting that the debtor pays for their supply by token *meters installed in their home.* An official receiver will also tell neighbours of the debtor's uncreditworthiness through an advertisement placed in the local paper.

Bankrupts are barred from being company directors without special dispensation. They are also unable to practice as solicitors or accountants.

For people in these professions the advantage of renouncing debts as allowed by bank*ruptcy is outweighed by* the need to stay in work. For them a "voluntary arrangement" is needed through which an insolvency practitioner arranges a deal with creditors. Enough assets must be available to satisfy not only creditors but also to pay the fee of the insolvency practitioner – typically at least £1,000.

So long as three-quarters (by value) of creditors agree to the arrangement, it is binding on all creditors. In the case of bankruptcy, creditors typically might receive 20 per cent of assets. With voluntary arrangements they tend to get around 40 per cent.

The payment terms are also important. A woman in Northumberland wrote to me concerning a voluntary arrangement set up seven years ago by which she pays *off £25 a month. At that rate* she still has 35 years of payments to go and the stress is affecting her health. She now believes that she may have made a mistake in not going bankrupt in the first place.

For those lacking the assets to pay for a voluntary arrangement, but who cannot stomach bankruptcy, the alternative to the bailiffs is to negotiate with creditors themselves. This can be done by letter, through a Citizens Advice Bureau *or by attending* court to defend summonses when they arrive.

Unless particular creditors believe the debtor is stashing away a pot of gold, they should be prepared to settle for less *than the sum involved.* The prevalence of middle class debt means that the embarrassment attached to it has eased. However, those who have suffered its indignities are likely to be credit shy and *avoid taking so many risks* again.

***Ian Gregory***

# A painful pension split

NOW YOU see it, now you don't. That might be one way to describe the state of many a wife's pension after her marriage has broken down.

The most valuable assets in many cases of divorce are the family home and the husband's pension, but all too often the pension is forgotten, *leading to distress for many* ex-wives in later years.

Pension rights are now recognised by the law as part of matrimonial property but there are no detailed guidelines on the way in which they should be allocated. "In many cases [of divorce], the wife receives the greater share in the residence, as a trade-off against the value of the *husband's pension rights,*" comments the Working Group on Pensions and Divorce, in a consultative document released this week.

With one in three marriages ending in divorce in the UK, there have been *calls for a* change to the law, specifically for the splitting of pension rights on divorce.

The Working Group was formed earlier this year by the Pensions Management Institute and is receiving funding from the Joseph Rowntree Foundation. Its consultative document has been issued so that responses from organisations and people involved in the pensions field can be incorporated in a final report, when the Group will recommend changes to the present system.

The courts do sometimes take a pension into account in a *divorce settlement*, but this is usually when a couple is nearing retirement age. Younger women are expected to have enough time to build up their own pension rights. However, those with small children often take time off work or resort to part-time work, so they cannot build up an adequate pension. Even married women in full time work are likely to earn a smaller pension than their husband.

The law on pensions and divorce *is different in Scotland,* where "matrimonial property" includes "rights or interests of either party under a life policy or occupational pension scheme." It requires this to be shared fairly on divorce; fair sharing means equal sharing unless there are special circumstances which dictate otherwise. The Working Group asks whether the rest of the UK should adopt a similar legal position.

One big problem with allocating a pension after a divorce is assessing its value. There are two main methods. The first is to look at the "cash equivalent", which involves valuing the husband's pension as if he had left the scheme at the time of the divorce.

The other way is to base the value of the pension on his pensionable service to date and to *allow for the possibility* of future benefit payments and increases in pensionable pay. This is sometimes known as the "past service reserve" and is likely to be larger than the cash equivalent because it projects pay in the future.

However, determining which should be used as a basis for valuing the pension if it is to be divided will not solve a further problem, which is that a man's second wife will collect his pension benefits. Basing the value of the pension on the whole of the husband's *past pensionable service* risks reducing the benefits to the second wife and giving too much to an oft-divorced wife.

The alternative to calculating the value of the pension at the date of divorce (or separation) would be to follow Scottish law, where pension rights that can be shared are limited to those arising during the length of the marriage.

***Scheherazade Daneshkhu***

Casebook

# Investor hits at bonus cut

IT MAY just be good timing. But the announcement by Friends Provident on May 1 that it is cutting terminal bonus rates on its with profits policies might provoke cynical comment.

The announcement was made just after comprehensive surveys were carried out by *Money Marketing* and *Money Management*, authoritative industry sources which financial advisers use to recommend the best policies for their clients. Friends Provident came fourth in *Money Marketing's table of top ten* endowment performers over ten years. If the cuts had been announced before the survey, Friends Provident would have dropped down the tables, and possibly out of the top ten.

Friends Provident had already cut its bonuses at the beginning of the year and Benjamin Lemer, whose family owns several Friends Provident policies, is angry about these new cuts. "Companies take a view once a year. If they change their mind every other week, how can you make rational investment decisions?"

In April, Lemer received a letter from Friends Provident informing him of the pay-out rate on one of his policies which is about to mature. But *a few days later* he received another letter informing him that he would be getting less.

"To cancel letters that have already gone out is really to shoot yourself in the foot," says Lemer, who has decided not to invest in the company's products in future.

Assuming a 29-year-old non-smoking male paid monthly premiums of £35, the pay-out from a ten-year endowment would have been £9,260 at January 1 1992. But after the cut in the terminal bonus rate, the comparable figure for maturity at May 1 was £8,701 – a difference of £559, a 6 per cent drop.

Using the same assumptions *Money Marketing*, with figures for maturity values at February 1, before the terminal *bonus* was cut, put Friends Provident's figure at £9,176. The value for the last member of its top ten, Commercial Union, was £8,746.

The effect of the cut on 25-year maturity values would also have pushed Friends Provident down the table. If our investor had paid £30 a month for a 25-year endowment, his pay-out at January 1 would have been £42,266, but after the cut a policy maturing on May 1 would be worth £41,623.

Graham Aslet, general manager at Friends Provident, who acknowledges that announcements on rates are usually made at the beginning of the year, said that the decision was taken after a valuation report prepared for the Board in April. "We said in December 1991 that we were entering a period of lower returns and low inflation. This year saw the return of the Conservative government and therefore a commitment to the Exchange Rate Mechanism."

Lemer is unimpressed, particularly since the stock market reached an all-time high last week. "You could argue that when inflation and interest rates are low, then the stock market might take off as people look for investment alternatives. We were in the ERM in January, Labour was committed to keeping us in it and Friends Provident made its cuts in January. What has changed between January and now to justify further cuts?"

***Scheherazade Daneshkhu***

Expatriates

# Taxing times at home . . .

DOES YOUR overseas home qualify as job-related accommodation? If so, and you maintain a residence in the UK – particularly one on which there is a mortgage – you could be in line for special treatment for capital gains and income tax.

While you are neither resident nor ordinarily resident in the UK, you are not subject to British tax on any capital gains you may realise – apart from gains arising from assets used in a UK business. But a tax liability remains for resources which you intend to retain beyond the date on which you resume UK residence. This is particularly true for property.

Your principal residence will be exempt from CGT and, while the basic requirement for full relief is continuous residence, there are special rules for expatriates.

These provide that, if a property was your residence both before and after an absence overseas, and in the intervening period you had no (other) residence "eligible for relief", your CGT exemption will be preserved even though you let the house in your absence.

So, if you own a single property in the UK which satisfies the "before and after" test, and while you are abroad you live in rented accommodation, you will face no problems.

*But the situation is very different* if you do not actually purchase the property until you have been abroad for a while. Then you can satisfy the "before" test only with difficulty, for although no period of *residence is specified in the* legislation, you or your spouse would need to take up residence for around three months to be sure of doing so. Even then, it is doubtful whether you can nominate that property as your principal residence instead of the one you rent overseas. A nomination can only be made in order to choose between properties occupied contemporaneously.

But all of these problems dissolve *if you live in job-related* accommodation overseas. You are then deemed to be living in the UK home as your residence.

While this treatment can be of considerable value, many expatriates may view the question of whether or not they are *entitled to MIRAS (mortgage* interest relief at source) for up to £30,000 of any loan used to acquire the property, as one of more immediate concern.

You are not disbarred from MIRAS relief merely because you are non-resident although *it does then become difficult* to fit yourself within the rules.

Nevertheless, you will obtain relief if the property is used wholly or to a substantial extent as your principal residence – which means that you or your spouse and family must live there for six months a year or more.

If, as in most cases, that is not feasible, you might nevertheless benefit from the provisions of extra statutory concession A27. This extends the relief to properties used as residences before departure overseas and which are expected to be so used on return.

*However, for all except* Crown Servants, the absence overseas must not be expected to exceed, and must not in fact exceed, four years.

The fact of living in job related accommodation overseas, plus the intention to take up residence in the UK property can come to your aid. In these circumstances, MIRAS relief will be permitted to continue without time limit.

So what then is job related accommodation? For employees, it is accommodation provided by reason of your employment: where it is necessary for the proper performance of your duties; or where it is provided for the better performance of your duties, and it is customary for employers to *provide accommodation for* your job; or where there is a special threat to your security.

But it would be a mistake to think that merely living in company property or having accommodation provided as *part of your salary package,* means it will be job related. The rules are strictly applied by the Revenue which will look in detail at each case.

It is clear that if you pay rent for your accommodation, any claim that you might have had will be destroyed because the property cannot be said to be "provided" for you.

In practice, members of the armed forces, for example, should encounter no problems *if they live in the accommodation assigned to them. Civilian workers who are accommo*dated in a company "compound" should also succeed in showing that they live in job-related accommodation. But if you do not fit into these categories, be ready to prove your case.

***Donald Elkin***

■ *Donald Elkin is a director of Wilfred T Fry Limited of Worthing, West Sussex.*

# The Week Ahead

NEXT week should provide some much-needed first-hand evidence about whether the UK is finally pulling out of recession as some of the most influential retailers report.

*On Tuesday,* **Marks and Spencer**, which has been riding the rough trading better than most, is likely to edge profits 2 per cent higher to £635m. The company is expected to make an announcement about the *future of its loss-making* Canadian operations. M and S's solid cost base and proven management skills should have enabled it to combat a loss of market share. But clothing margins will have been hit *by widespread discounting* elsewhere and the food business will have felt the force of furious expansion programmes of the big supermarket chains.

One of these, J. Sainsbury, is likely to boast of a more buoyant trading picture the following day as annual profits are likely to surge by *more than* 20 per cent to the £610m mark.

However, Burton Group, the ill-starred fashion retailer which has seen two chief executives depart in as many years, is only likely to confirm the *pattern of its recent grim* trading fortunes when it reports on Wednesday. Morgan Stanley suggests interim profits will be near £20m – with only a token dividend.

**Grand Metropolitan**, the food, drinks and retailing group, is expected on Thursday to lay the foundations for the further "year of progress" promised by Sir Allen Sheppard, the chairman. A 3 per *cent rise in interim* pre-tax profits to about £390m is forecast with IDV, the drinks division, leading the way.

British Gas is expected to report a drop in its first quarter net income on Thursday to *£630m from £729m in the same* period last year. The company saw profits eroded by warmer winter weather and lower gas production at its Morecambe Bay field.

**Royal Dutch-Shell**, the *Anglo-Dutch oil company*, is estimated to have made a profit of £685m in the first quarter on a replacement cost basis which strips out stock losses and gains – half the level made in the same period in 1991. The company is expected to be hit by a weakening in *refining margins, particularly* in the Far East.

Two UK composite insurers report their first-quarter results next week, with both are expected to show some improvement. Analysts expect *Royal Insurance* to lose between £35m and £60m compared with a £63m deficit in 1991. General Accident's losses are expected to be between £35m and £50m (compared with a £75m loss).

## COMPANY NEWS SUMMARY

### TAKE-OVER BIDS AND MERGERS

| Company bid for | Value of bid per share** | Market price** | Price before bid | Value of bid £m's** | Bidder |
|---|---|---|---|---|---|
| *Prices in in pence unless otherwise indicated* | | | | | |
| BHH | 36* | 35 | 34 | 21.34 | IM Group |
| Cronite | 45* | 44 | 29 | 7.31 | APE SA |
| Dowty | 218 | 197 | 145 | 545.68 | TI Group |
| Lawrence (W.) ‡ | 67 | 67 | 23 | 32.59 | Raine Inds. |
| Macarthy ‡ | 377§§ | 357 | 321 | 103.76 | Lloyds Chemists |
| Microtec | 141†† | 126 | 113 | 18.74 | Meggitt |
| Midland | 410§§ | 390 | 372 | 3.22bn | HSBC |
| Penny & Giles | 371§§ | 347 | 235 | 35.80 | Bowthorpe |
| Polymark Intl | 37* | 35 | 34 | 4.33 | Polyfinance |
| Do. Pfd. A | 164½* | 163 | 131 | 5.08 | Polyfinance |
| Steetley ‡ | 475 | 491 | 274 | 742.32 | Redland |
| Wilkes (J.) | 106 | 154 | 177 | 19.01 | Petrocon |
| Worcester | 225* | 221 | 188 | 60.50 | Bosch (Robert) |

*All cash offer. ††Cash alternative. §For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 1/5/92. §§Shares & cash.

### PRELIMINARY RESULTS

| Company | Year to | Pre-tax profit (£000) | | Earnings* per share (p) | | Dividends* per share (p) | |
|---|---|---|---|---|---|---|---|
| Abtrust New Thai | Feb | 217§ | (240§) | 1.44 | (1.6) | 1.0 | (0.9) |
| Barlo Group | Mar† | 1,880 | (1,890 L) | 3.0 | (-) | - | (-) |
| BDA Holdings | Jan | 18 | (2,170 L) | 0.1 | (-) | - | (-) |
| Beattie (James) | Jan | 7,730 | (9,000) | 11.3 | (13.0) | 5.75 | (5.5) |
| Betacom | Dec | 515 L | (2,440 L) | - | (-) | - | (-) |
| BMSS | Jan | 515 | (1,020) | 8.1 | (11.3) | 4.7 | (4.7) |
| British Fittings | Dec | 3,000 L | (6,210) | - | (20.1) | 5.37 | (7.35) |
| *Continuous Stationery* | Apr | 1,140 | (1,260) | 4.18 | (5.13) | 2.4 | (4.0) |
| Co-op Retail Services | Jan | 354,400° | (322,600°) | - | (-) | - | (-) |
| Cresta Hldgs | Dec | 11,300 L | (5,300) | - | (9.1) | 0.7 | (2.0) |
| Dalyn Group | Feb | 524 | (614) | 3.32 | (4.47) | 1.45 | (1.45) |
| Forward Group | Jan | 622 | (955) | 5.69 | (8.95) | 2.5 | (2.2) |
| German Smaller Co's | Mar | 212‡ | (186‡) | 1.18 | (1.04) | 1.1 | (1.0) |
| Highcroft Inv Tst | Dec | 860 | (759) | 10.9 | (9.49) | 4.5 | (3.9) |
| Hi-Tec Sports | Feb | 9,080 | (8,200) | 16.1 | (14.7) | 5.5 | (5.0) |
| Jarvis | Dec | 238 | (1,000) | 0.6 | (4.2) | 0.57 | (2.0) |
| LIT Hldgs | Dec | 1,290 | (344 L) | - | (-) | - | (-) |
| Proteus Int'l | Mar | 2,410 L | (1,270 L) | - | (-) | - | (-) |
| Ptarmigan | Jun | 720 L | (12 L) | - | (-) | - | (-) |
| Sears | Jan | 81,200 | (146,900) | 4.2 | (7.6) | 5.35 | (5.35) |
| Silentnight Hldgs | Feb | 12,400 | (11,500) | 17.9 | (16.7) | 8.0 | (7.0) |
| Smurfit (Jefferson) | Jan† | 157,500 | (173,000) | 48.7 | (52.0) | 2.2 | (5.05) |
| Time Products | Jan | 7,620 | (9,370) | 9.74 | (12.16) | 7.5 | (7.25) |
| Towles | Feb | 1 | (56 L) | 0.33 | (-) | 0.25 | (0.25) |
| *United Uniform Serv* | Dec | 3,400 | (2,660) | 10.1 | (12.9) | 3.0 | (1.5) |
| Upton & Southern | Jan | 2,880 L | (1,430 L) | - | (-) | - | (-) |

### INTERIM STATEMENTS

| Company | Half-year to | Pre-tax profit (£000) | | Interim dividends* per share (p) | |
|---|---|---|---|---|---|
| BAT Industries | Mar♦ | 282,000 | (230,000) | - | (-) |
| Bellway | Jan | 5,500 | (3,400) | 4.0 | (4.0) |
| BP | Mar♦ | 81,000 L# | (10,000#) | 4.2 | (4.2) |
| Dana Exploration | Jul† | 83 L# | (43 L#) | - | (-) |
| Dickie (James) | Feb | 98 L | (57 L) | - | (-) |
| Eagle Star | Mar♦ | 40,000 L | (2,000 L) | - | (-) |
| Euromoney Pub | Mar | 4,620 | (3,260) | 8.0 | (6.6) |
| Glasgow Income | Mar | 393§ | (393§) | 1.2 | (1.2) |
| Leveraged Opport | Mar | 22 | (27) | - | (-) |
| MMT Computing | Feb | 712 | (626) | 1.1 | (1.0) |
| Morgan Gren Equity | Mar | 323§ | (-) | 1.0 | (-) |
| [illegible] & Co | Mar | 3,060 | (2,350) | 2.42 | (2.11) |
| New Frontiers Dev | Mar | 309§ | (442§) | - | (-) |
| Overseas Inv Tst | Mar | 469§ | (254§) | 0.8 | (0.75) |
| PWS Holdings | Mar | 2,100 | (3,100) | 1.5 | (1.5) |
| Royal Bank of Scot | Mar | 48,000 | (72,400) | 2.8 | (2.8) |
| Sanderson Elect. | Mar | 1,800 | (1,500) | 9.0 | (8.7) |
| Smith & Nephew | Mar♦ | 31,100 | (26,600) | - | (-) |
| Stanhope Props | Dec | 15,300 L | (33,800L) | - | (-) |
| Tate & Lyle | Mar | 92,000 | (94,700) | 4.0 | (3.7) |
| Titon Holdings | Mar | 942 | (823) | 1.13 | (1.05) |
| Trafalgar House | Mar | 54,000 | (45,500) | 4.4 | (8.8) |
| Venture Plant | Jan● | 86 | (-) | - | (-) |

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Figures quoted in Irish pounds & pence. # = Net loss/profit. ♦ = First quarter figures. ‡ = Net revenue. § = Net income. ● = Figure for four months. ° = Gross profit.

### RIGHTS ISSUES

Betacom is planning to launch a £2m-£3m rights issue before the end of June.
Fulcrum Inv Tst is to raise £12.9m via a 5-for-2 rights issue at 57p.
*Proteus Int'l is to raise £12.2m via a 1-for-5 rights issue at 260p.*
Venture Plant is to raise £15.5m via a 1-for-1 rights issue at 100p.

### OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Hughes (TJ) is to join the USM via a placing of 11m shares at 75p, raising £8m.

### RESULTS DUE

| Company | Announcement due | Dividend (p)* Last year Int. | Last year Final | This year Int. |
|---|---|---|---|---|
| *FINAL DIVIDENDS* | | | | |
| Allied Irish Bank | Wednesday | 3.5 | 4.25 | 3.6 |
| Bank of Ireland | Thursday | 7.0 | 7.0 | 3.33 |
| Bisichi Mining | Monday | - | 0.6 | - |
| City of Oxford Inv Tst | Wednesday | 0.93 | 1.46 | 1.2 |
| Contra-Cyclical Inv Tst | Tuesday | - | 2.25§ | 2.25 |
| Donelon Tyson | Tuesday | - | 1.0 | - |
| Eldes | Thursday | - | - | - |
| Elswick | Monday | 0.22 | 0.38 | 0.22 |
| Fine Art Developments | Thursday | 2.6 | 7.3 | 2.7 |
| Finlay (James) | Thursday | 2.0 | 2.15 | 2.0 |
| [illegible] | Wednesday | - | - | - |
| Foster (John) & Son | Thursday | - | 0.6 | - |
| [illegible] Water Co | Thursday | - | 2.75 | - |
| Hartstone Group | Thursday | 1.25 | 2.0 | 1.57 |
| [illegible] | Thursday | 2.5 | 7.75 | 2.5 |
| London & Associated Inv Tst | Monday | 0.65 | 0.65 | 0.65 |
| London Atlantic Inv Tst | Thursday | 0.72 | 2.08 | 0.75 |
| [illegible] | Thursday | - | 4.0 | - |
| Marks & Spencer | Tuesday | 2.0 | 4.7 | 2.1 |
| Parkland Textile | Monday | 1.2 | 1.0 | 1.0 |
| Personal Assets Tst | Monday | 0.75 | 0.65 | - |
| RIT Capital Partners | Wednesday | - | 2.44 | - |
| Sainsbury (J) | Wednesday | 2.4 | 5.26 | 2.4 |
| Smith St Aubyn | Thursday | - | - | - |
| South Staffordshire Water | Friday | - | - | 10.9 |
| Tullow Oil | Friday | - | - | - |
| United Energy | Monday | - | - | - |
| [illegible] | Thursday | - | - | - |
| [illegible] | Thursday | 1.35 | 1.35 | 1.56 |
| [illegible] | Thursday | 1.75 | 3.45 | 1.92 |
| [illegible] | Thursday | 2.5 | 4.5 | 2.75 |
| Yorkyde | Wednesday | 4.0 | 5.7 | 4.0 |
| *INTERIM DIVIDENDS* | | | | |
| Aberdeen Tst | Monday | 1.0 | 1.6 | |
| Alexanders Hldgs | Thursday | - | - | |
| API Group | Thursday | 2.75 | 4.0 | |
| Avon Rubber | Wednesday | 5.0 | 11.5 | |
| British Gas | Thursday | 4.25 | 6.0 | |
| Burton Group | Wednesday | 2.0 | 1.0 | |
| [illegible] Oil | Thursday | - | - | |
| Diploma | Wednesday | 2.25 | 6.6 | |
| Fenner | Thursday | 3.45 | 5.1 | |
| Fidelity Japan OTC & Reg Mkts | Thursday | - | - | |
| Foreign & Colonial Inv Tst | Friday | 1.07 | 2.12 | |
| General Accident | Tuesday§ | 5.7 | 17.05 | |
| Grand Metropolitan | Thursday | 5.4 | 14.3 | |
| Greenalls Group | Wednesday | 4.4 | 6.6 | |
| Hanson | Thursday | 3.15 | 7.85 | |
| Holmes & Marchant | Friday | 3.2 | 3.3 | |
| Huntingdon Int'l Hldgs | Thursday | 0.6 | 0.9 | |
| McLeod Russell | Tuesday | 0.67 | 1.9 | |
| Needler Group | Wednesday | 2.75 | 3.1 | |
| Northern Ind Improvement Tst | Friday | 7.0 | 15.0 | |
| Royal Insurance | Thursday§ | 11.25 | - | |
| Scottish Value Tst | Wednesday | 1.0 | 0.75 | 0.62 |
| Shell T&T | Thursday§ | 6.0 | 12.0 | |
| Sidlaw Group | Thursday | 3.3 | 5.7 | |
| Southern Radio | Monday | - | 0.75 | |
| Tomkinsons | Thursday | 3.5 | 8.0 | |
| Unilever | Friday | 5.63 | 13.91 | |
| Vaux Group | Tuesday | 3.1 | 5.1 | |
| Windsor | Monday | - | - | |

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. § = First quarter figures. # Second interim dividend.

FINANCE AND THE FAMILY

How to . . . choose a credit card

# Flexible friends face hard times in recession

THE HEYDAY of the credit card may have passed. The recession and a rise in personal debts have made many people turn their backs on these plastic pieces of temptation.

The recession has also hit the card issuers. It now appears that bankers priced their credit card services too low in the fight to enter the market, and the credit card income of the banks has dropped.

So, interest charges have risen and annual fees have been introduced. These measures have led to fewer customers: Lloyds, the first bank to introduce credit card charges, is believed to have only 1.6m Access cardholders compared with about 2.8m two years ago.

Further changes are likely. At the beginning of 1992, Barclaycard predicted that smaller credit card issuers would be squeezed out of the market, with some cards being sold to larger issuers and others disappearing.

If you do not have a credit card, you may find it harder to get one now than a few years ago. "There was a time when we would not think twice about issuing a credit card to someone who worked in the City," said a spokesperson for one UK bank. "But we know that these jobs are no longer secure and our preferred customers today are more likely to be doctors than bankers."

The type of card you choose is likely to fall into two broad areas – a straightforward credit card, or a "gold" or "charge" card.

"ORDINARY" CREDIT CARDS

■ Prompt payers

These are the cards that people are likely to obtain from their bank or building society.

Two dominate the market. There were 17.6m Visa cards and 12.3m Mastercard/Access in issue in 1990, according to Mintel, which expects figures for 1991 to show a fall because of the introduction of fees. Barclays and TSB were the original issuers of the Visa card in the 1960s. For this reason these banks have been able to market their Visa cards under brand names – Barclaycard and TSB Trustcard.

Access is a UK MasterCard subsidiary brand name jointly owned by National Westminster, Midland, Lloyds and Royal Bank of Scotland.

The cheapest and best way to use a credit card was revealed by Nigel Lawson, former Chancellor of the Exchequer, who advised people to pay off their monthly bill in full. This is a convenient form of payment and gives the user a period of interest-free credit, in addition to some perks.

However, for many card holders the credit is no longer free because of the annual fees. The Big Four banks now all charge an annual fee of up to £12, although free cards are still available from some issuers, such as the Co-operative bank, Girobank, National & Provincial and TSB.

■ Late payers

Many people begin with good intentions but, when faced with the choice of paying only £5 rather than, say, £500 for the month, opt for the former and soon slide into debt. If this is you, one of the most important criteria will be the rate of interest being levied.

This is usually measured by the APR, or annual percentage rate. Unfortunately this is becoming unreliable as a basis of strict comparison because of the different assumptions made by card issuers in their calculations (the date at which they begin to charge interest and the amount of credit they assume is outstanding) and because of the fees.

If a card issuer chooses a large sum as a typical credit limit over which to spread the fee, its APR will look smaller than another issuer spreading the same amount over a smaller sum. For example, the Bank of Scotland and Clydesdale bank both have a £10 annual fee and a 1.9 per cent monthly interest charge, yet Bank of Scotland gives its APR as 26 per cent while Clydesdale quotes 26.6 per cent.

However, the difference is not likely to be much more than a percentage point and according to Paul Hersey, senior finance analyst at Mintel, "the APR is still the best figure because it shows you the overall cost of credit for the year." Alternatively, you can look at the monthly figure and the size of the fee as a basis for comparison.

In its last survey of credit cards, Which?, the Consumer Association's monthly magazine, found that the Bank of Cyprus Visa card, with 19.6 per cent APR, and National and Provincial's Visa (24 per cent APR) and no annual fee offered the cheapest credit.

Apart from the APR, your credit limit and perks are other considerations.

■ Perks

One of the more irritating aspects of opening the monthly bill is the paraphernalia that drops out of the envelope advertising credit card perks. Which? points out that many of these are little more than a way of marketing associated products, such as discounts on holidays offered by the issuer.

Some perks are inbuilt no matter what sort of ordinary credit card you hold. Under the Consumer Credit Act, all card issuers have to give you protection against faulty goods if the supplier does not compensate you. If your card is stolen and you have notified the issuer, you will not be liable for goods purchased subsequently with the card. Credit cards also give some degree of travel insurance, although this is not a substitute for full travel cover.

Barclaycard offers more perks than most, including free purchase protection, which insures many items bought with the card against theft or accidental damage for 100 days after the purchase; free emergency assistance for travellers, such as an emergency cash service; free travel accident insurance (covering accidents which happen when you are in transit and not mishaps at other times during the holiday); and a points system which can be cashed in for gifts.

■ Affinity cards

These operate as credit cards but a small proportion of the money spent by the holder is donated to charity. The card provider gives about £5 or £10 to the charity the first time the card is used. Thereafter, a fixed fraction of cash spent is donated – usually only about 20p or 30p per £100.

You can be governed in choosing a card either by the charity or the existence of a fee. For example, National Westminster has a World Wildlife Fund for Nature affinity card but charges an annual fee of £12. Alternatively, you can give free to Oxfam through Girobank, or to the Arts, through Midland.

■ Charge, or Gold cards

Designed to appeal to high-earning big spenders. Charge cards such as American Express and Diners Club give unlimited credit but have to be paid off in full every month. Most Gold cards also operate as charge cards but some, such as Lloyds Gold Mastercard, operate as a regular credit card. Such cards have substantially higher annual fees – the Bank of Scotland announced this week that it will raise its annual fee for its Premier Visa charge card from £50 to £70 on June 1.

Those who benefit most from Gold and charge cards are travellers who need hefty credit to cover expenses. However, be wary of using credit cards too liberally abroad – most use an exchange rate more favourable to the issuer than the customer. Similarly, check the exchange rate on some "no commission" promises, which are sometimes compensated by giving a worse exchange rate than at other bureaux.

People who occasionally need a high overdraft will also find Gold and charge cards attractive as they offer preferential rates on overdrafts, usually up to £10,000. Barclaycard Gold charges 14.7 per cent EAR (equivalent annual rate) on overdrafts of between £2,500 and £50,000, compared with its 24.1 per cent EAR authorised overdraft rate. However, the annual fee is £70.

Many Gold card holders might be better off switching to an ordinary card and paying a smaller annual fee. It is easy to be seduced by the perks offered by Gold and charge cards but customers should ask whether they really need unlimited cover for emergency evacuation when travelling abroad – one of the perks being added by Bank of Scotland as a sweetener for the rise in its fee.

The Co-Op's Gold Visa card is one of the few no-fee cards but you must hurry to get one – its promise never to impose a fee runs out on June 30.

Gold and charge cards are only available to those earning a minimum of £20,000 a year – but you would have to earn much more in order to settle bills of £1,000 a month regularly.

Another disadvantage is that Gold and charge cards are not covered automatically by the Consumer Credit Act. However, Coutts, Co-Op, Girobank, Lloyds (Mastercard) and NatWest (Visa) have all secured full CCA protection on their Gold cards.

**Scheherazade Daneshkhu**

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

| Company | Sector | Shares | Value | No of directors |
|---|---|---|---|---|
| **SALES** | | | | |
| Bowater nil pd | Pack | 9,166 | 17 | 1 |
| Croda | Chem | 25,000 | 46 | 1 |
| Dalgety | FdMa | 6,100 | 25 | 1 |
| Edmond Holdings | C&C | 650,000 | 237 | 1 |
| Euro Motors nil pd | Motr | 458,925 | 133 | 1 |
| E W Fact | BuSe | 80,000 | 50 | 1 |
| Farnell Electronics | Elns | 30,000 | 94 | 1 |
| GKN | Motr | 6,740 | 26 | 1 |
| Hewden Stuart | C&C | 12,272 | 11 | 1 |
| Leslie Wise | Text | 200,000 | 134 | 1 |
| Lowndes Lambert | InsB | 27,112 | 85 | 1 |
| Menvier-Swain | Elec | 5,000 | 18 | 1 |
| Merrydown Wine | Brew | 10,000 | 36 | 1 |
| More O'Ferrall | Med | 11,350 | 27 | 1* |
| Record Holdings | EngG | 200,000 | 168 | 1 |
| Renishaw | Othl | 24,000 | 65 | 1 |
| Sndan Murray &Elder | Motr | 9,675 | 80 | 1 |
| Tay Homes | C&C | 20,000 | 34 | 1 |
| Transport Dev Group | Tran | 40,000 | 106 | 1* |
| TSW TV | Med | 130,000 | 59 | 1 |
| US Smaller Co IT | InTr | 10,000 | 10 | 1 |
| **PURCHASES** | | | | |
| Barr (AG) | FdMa | 5,000 | 10 | 1 |
| Boustead | BuSe | 50,000 | 12 | 1 |
| City Site Est CCRP | Prop | 171,000 | 49 | 1 |
| Clinton Cards | Stor | 50,000 | 58 | 2 |
| Gt Southern CRP | Misc | 50,000 | 50 | 1 |
| Hall Engineering | EngG | 15,000 | 22 | 1 |
| Johnston Group | BdMa | 30,000 | 56 | 2 |
| Paramount | Brew | 425,000 | 20 | 2 |
| Redland | BdMa | 2,760 | 15 | 1 |
| Torex Hire | C&C | 100,000 | 30 | 1 |
| US Sm Co IT (Wts) | InTr | 33,500 | 14 | 1 |

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 27 April - 1 May1992.

Source: Directus Ltd, Edinburgh

## Directors' Transactions

DIRECTORS' dealing activity has now calmed down to a more reasoned level where the overall picture is no longer distorted by one-off influences.

Clinton Cards retails greeting cards and gifts throughout England. Directors have been buying shares during April. Most recently Clinton Lewin, the managing director, and Don Lewin, the chairman, both bought 25,000 shares at 76p. That is 18p higher than the price at which three directors bought two weeks earlier.

Selling at Renishaw, the metrology and inspection equipment company, has been a feature since the end of last year. Most recently Allan Roberts, the finance director, sold 24,000 shares at 272p.

John Hall, the deputy chairman of Hall Engineering, and Robert McAlpine, a non-executive director, both purchased shares in this steel processing group.

Hall bought 14,000 shares at 152p in an off-market deal on April 29, while McAlpine paid 148.5p for 15,000 shares from the market on April 23.

Results were announced at the beginning of April and the chairman said that the board was confident about future prospects.

**Angus MacDonald, Directus Ltd**

Key to sectors: BdMa = Building Materials; Brew = Brewers & Distillers; BuSe = Business Services; Chem = Chemicals; C&C = Contracting & Construction; Elec = Electricals; EngG = Engineering General; FdMa = Food Manufacturing; InsB = Insurance Brokers; InTr = Investment Trusts; Med = Media; Misc = Miscellaneous; Motr = Motors; Othl = Other Industrial Materials; Pack = Packaging & Paper; Prop = Property; Stor = Stores; Text = Textiles; Tran = Transport.

# A helping hand with charges

HOW MUCH do you pay when you take out a personal pension? Up to a third of your final fund could be eaten up in charges, according to Pensionline, an independent financial adviser.

Most of those who sell personal pensions receive a commission for doing so. This reduces the benefits provided by the policy and can influence the salesman's judgment.

Pensionline is offering a new service which, in return for a fee of £245, will reinvest all commission income in the policy.

The table shows the difference reinvesting commission can make. It covers regular premium unit-linked policies with a 25 year term. Companies covered are those which have five years experience of unit-linked managed funds and which will allow Pensionline to reinvest the commission.

To take Scottish Life as an example, its standard charges would reduce the pension fund on retirement by 18.38 per cent. But if commission were reinvested, the reduction would be only 11.18 per cent. That would make Scottish Life the cheapest provider of those surveyed.

Some companies have substantially higher charges than those shown. The charges of Liberty Life, NEL Britannia and Confederation Life would eat up 30 per cent of your pension fund, and at Gresham Life the charge is 35 per cent.

But charges are not the only thing that matters; performance is important. There are 57 companies with unit-linked performance records lasting five years, and Scottish Life ranks 40th among them.

Pensionline has accordingly sought out those companies which have relatively low charges and a good performance. These are highlighted in bold. Sun Life, for example, is seventh in performance terms and third on charges.

Different companies come out best, depending on the type of policy surveyed. In the field of five year unit-linked single premiums (where charges are generally lower), Pensionline highlights Eagle Star, Scottish Widows and National Mutual.

This combination of charges and performance can make an enormous difference. If Sun Life were to maintain a 13 per cent growth rate and 12 per cent charges for 25 years, then the fund value of a £100 per month policy would be £197,744. If Save & Prosper were to maintain a 10 per cent growth rate and 17 per cent charges (after reinvestment), the same fund would be worth only £110,127.

The commission reinvestment option is very likely to save you money, even allowing for Pensionline's fee, unless you are investing under £100 a month for a short period.

This combination of intelligent analysis of charges and rebating commission would seem to meet the demand for "best advice" imposed by the Financial Services Act. The Pensionline service is thus a very encouraging development.

■ Pensionline, 7A, the Broadway, Cheam, Sutton, Surrey, SM3 8BR. Telephone: 081-643-9663. Pensionline is a division of Independent Personal Financial Services Limited, a FIMBRA member.

**Philip Coggan**

Personal pension guide

| Company | Charges Normal | Commission reinvested | Performance 1987-92 % pa | ranking |
|---|---|---|---|---|
| Scot Life | 18.38 | 11.18 | 9.54 | 40 |
| Life Ass Sc | 18.80 | 11.60 | 6.44 | 54 |
| **Sun Life** | **19.41** | **12.21** | **13.08** | **7** |
| **Cler Med** | **19.60** | **12.40** | **11.62** | **19** |
| **Nat Mut** | **19.95** | **12.75** | **11.80** | **16** |
| Eq & Law | 20.59 | 13.39 | 10.16 | 32 |
| **Scot Eq** | **20.86** | **13.66** | **12.52** | **12** |
| Abbey Life | 21.81 | 14.61 | 8.78 | 48 |
| Scot Widows | 22.13 | 14.93 | 11.12 | 23 |
| NPI | 22.78 | 15.58 | 10.74 | 28 |
| Eagle Star | 22.86 | 15.66 | 11.02 | 24 |
| Scot Amic | 22.89 | 15.69 | 10.48 | 31 |
| Stand Life | 23.04 | 15.84 | 10.00 | 34 |
| Save & Pr | 24.11 | 16.91 | 9.74 | 39 |
| Leg & Gen | 26.43 | 19.23 | 9.54 | 41 |

Based on 25 year unit-linked regular premium personal pension funds. Table covers those companies with five year performance figures for unit-linked funds and which are prepared to rebate commission. Source: Pensionline.

Celtic rings: Brian Stack's jewellery company utilises ancient patterns

# Old craft in a modern setting

***Nick Garnett** visits Brian Stack, who combines his culture with his business*

THE DINGLE Peninsula is the western terminus of Europe, the final outpost before you fall into the Gulf Stream. On a sunny day in April, the water is pastel blue and the Brandon mountains are capped in snow. An ordnance survey map reveals the strata of primitive cultures that once took root here: the weird beehive huts of early Christian hermits; the monastic life exposed by the lonely Gallarus oratory shaped like an upturned boat; the crooked Ogham stones of the late Iron Age on which the Celts chiselled a simple structure of angled lines as a written script.

The area around the coastal town of Dingle is also a *gaeltacht*. It is one of 10 or so parcels of land in Ireland where the populations encapsulate a significant proportion of fluent Gaelic speakers. Special attention is cast on them, with the help of a Udaras (Gaelic for "authority"), whose task includes funnelling cash to businesses.

The regional manager for the Udaras in Dingle, Steve O Culain, says it is illegal to discriminate against businesses run by non-Gaelic speakers, but the Udaras clearly prefers using money in a way that bolsters Ireland's ancient language.

One tiny company benefiting from operating in a gaeltacht is that of Brian Stack, jewellery-maker and jewellery-seller. But he benefits more from operating in a beautiful area popular with tourists. Visitors account for 65 per cent of Stack's total yearly sales of £180,000, largely because the 40-year-old has piggy-backed his business on two local attractions.

One is the artefacts left by the Celts, such as the Ogham stones, high crosses and metalware.

"A lot of the interlace work in the seventh and eighth centuries was incredible," says Stack. "There is a theory that these workmen had proper workshops and a type of college system to learn crafts in gold, silver and stone."

Stack and his workshop reproduce miniature examples of Celtic art in gold and silver.

The other attraction is Fungie, a dolphin which popped up in the sea off Dingle five years ago and has stayed ever since. Fungie has become an attraction for tourists, who also like Stack's gold and silver facsimiles of the cute cetacean.

Stack did a seven-year jeweller's apprenticeship in Cork before working in Canada and building his own house in Dingle. He rented his first shop in Dingle in 1981, opened another outside the peninsula in the tourist haunt of Killarney, and then a workshop in Dingle. He has just moved the workshop to a new, larger building, with a shop attached, provided by the Udaras.

About half the jewellery Stack sells is bought from other jewellery-makers, though he expects this proportion to drop. "The margin on made-up jewellery we buy is about 100 per cent and a little more on the things we make, say, 130 per cent," he says.

The workshop and three retail outlets generated a profit last year of between £20,000 and £30,000. Stack employs three in the shops (and gets occasional help from his wife, Mairead, a teacher) and four apprentices. Training grants from the Udaras cover 60 per cent of apprentices' wages for the first year, and after that on a declining scale. The Udaras also forks out for 60 per cent of capital equipment. This includes £20,000 of casting machinery, bought because the economics of jewellery-making work against handcrafting.

Much of Stack's own jewellery is handmade: gold and silver bent, soldered, cut and punched into shape. To lower the costs, more jewellery will now be made by casting. The rubber cast is taken by a handmade design, and wax injected into it. The wax pieces are fixed to a common stem and plaster is poured around that. The wax is removed by steam, and silver or gold poured into the mould – aA vacuum system sucks the metal into the mould's furthest corners.

There is plenty of space for all this in the 155 sq metre premises, whose subsidised rent is about £1,200 a year, rising eventually to an unsubsidised rent of about £3,000. The casting equipment comes from the Isle of Wight, precious metal from Johnson Matthey in Dublin, and gemstones from London and Switzerland.

Some of Stack's headaches are familiar to most owners of small businesses.

"We have built up gradually over ten years, which is a good thing, but my biggest problem is I never got management training of any description. That would have helped with things like controlling stock, forward planning, and understanding how to foresee demand."

Seasonal demand and the need to build up stocks every year for the summer tourist sales hurts cash flow.

"By the beginning of the next season, you are in a tight squeeze on that. We'll be producing more with the casting machines, so to counteract these new cash flow pressures we intend to take on work for other jewellers."

He intends reducing the number of different items the company makes. Stack uses a £20,000 overdraft from Allied Irish Bank.

The troubles in the North still have a debilitating effect on tourism, and remain, for businessmen like Stack, a source of annoyance and bewilderment.

"It's the great tragedy of Ireland. It hampers everything, shifting all development right down the line. It's such a mess."

Like most of his fellow countrymen, Stack harbours a relatively genial disposition on life. "I've been very lucky, thanks be to God."

■ *Brian de Stáic, Sráid an Doirín, An Daingean, Co Chiarraí, (Brian Stack, Green St, Dingle, Co Kerry) Republic of Ireland. 010-353-66-51298.*

Computing/**David Carter**

# A cheap, cheerful integrated package

MANY PC users find that the best software to run on their computer is an "integrated" package. This combines into one the three most common applications – word processing, spreadsheet and database – and is invariably a much cheaper solution than buying the three of them separately. There is a further advantage in that all the applications are designed to operate in the same way: once you have mastered one you are half way to mastering the other two.

Office Manager is perhaps the cheapest integrated package on the market. It was released in 1989 and combines a word processor, spreadsheet and simple database and will run on floppy or hard disk machines. It is available from Software Toolworks (0444-246333) at £51.08 including VAT, and by a special mail order offer from PC Answers magazine at only £19.97.

Under the influence of the marketing department most packages these days come overloaded and complicated with masses of irrelevant features: working your way through them is a struggle. Office Manager, by contrast, shows the influence of the engineer who tries to come up with a simple design that contains the essentials and nothing else. At the beginning you have a quick look through the menu options and think: "Is that all? Surely there's got to be more to it than this." But then you put the package through its paces and all the really important things you need are there sure enough.

Office Manager may be cheap, but in design terms it is bang up-to-date. It adopts IBM's CUA (Common User Access) style that is becoming industry standard. Hit the Alt key and you activate drop-down menus from a menu bar at the top of the screen. It supports a mouse and the HP laserjet printer.

Initial impressions are good. The opening screen presents a neat list of the files available in each application.

I chose the word processor. Up came an attractive white screen with red margins. For the typical business user who needs to write letters and memos this word processor is excellent – clear menus, easy editing, and adequate layout facilities. For anyone who writes in foreign languages it offers a simple way of including non-standard characters such as umlauts and circumflexes. It can also link to the database module for "mailmerge", the facility to print personalised standard letters.

The "Calc" spreadsheet module is again simple and clean, but the lack of a tutorial created a few difficulties. It took me some while to work out the exact sequence for copying one cell to a group of other cells. The Help key (F1) in the spreadsheet was corrupted in my copy and locked up the keyboard, so I had to switch off and restart. Formatting options are limited; you cannot display a figure as a percentage and I could not find a way of centring the contents of one cell.

Another weakness is that Office Manager is only set to print 10 characters per inch on to the paper. This is unlikely to be a problem with the word processor but in a spreadsheet you really need condensed print at 17 cpi to squeeze a year's figures onto one page. For Office Manager to print in other sizes – such as 12 cpi or 17 cpi – you have to enter printer escape codes.

The database module ("Filer") is the least successful. With most packages designing a database is usually easy, because you simply "paint" the data entry form on the screen. I tried to set up a mailing list database but found it a struggle.

Office Manager's manual is clear and well written, but is no substitute for a brief tutorial taking you through worked examples and illustrating how everything hangs together.

Another problem is that "date" and "telephone" fields only accept US formats (eg April 17 1992 appears as 4/17/92). Once you have got over all these hurdles, data entry is easy, and I found the report writer clear and easy to use, but at the beginning users will have to struggle unnecessarily.

None of the above defects is insuperable. On the credit side, Office Manager's word processor is excellent, its spreadsheet perfectly adequate. Overall design is admirably clear and logical, and for the beginner or occasional user this package is is a top recommendation irrespective of price. At less than £20, what have you got to lose?

■ *Office Manager is available at the special price of £19.97 including VAT, from PC Answers magazine, Future Publishing Ltd, order ref. PCA913, tel: 0458-74011.*

■ *David Carter is a consultant in information systems for small businesses. Tel: 0737-812447.*

# A loan to daughter but not her boyfriend

YOU recently mentioned the advisability of some form of agreement where one member of a family makes a loan to another. I am faced with a similar problem, but with a variation.

My daughter has asked for assistance in finding a substantial deposit to buy a house. The mortgage will be in her name as the owner, and she will be responsible for repayments. She intends to take in her current boyfriend as a paying guest. I have read that if the relationship splits up, her friend could make a claim for a share of the property. Under these circumstances, would it be better for me to take part ownership in the property in order to protect my investment?

She is of the opinion that in order to protect her ownership of the property all she has to do is to get her boyfriend to sign a document to the effect that he is only a tenant and has no claim on the property. To this end, would it be advisable for her to issue the boyfriend with a rent book?

■ What your daughter proposes will not be effective unless she enters into a proper lease, eg a shorthold tenancy, with her boyfriend. It is important to ensure that the lease is in a form which will not give the tenant security of tenure.

## When can I gross up?

SINCE 1981-82 I have included income from Guaranteed Income Bonds in my tax return, and they have always been dealt with as "Chargeable Events": ie they have not been "grossed up" for purposes of calculating higher rate tax. I have before me a cutting from *Weekend FT* of June 23 1990 in which John Edwards wrote that, unlike building society interest, guaranteed income bonds were not grossed up for calculating the higher rate.

In my assessment from the Norwich Tax Office for 1989-90, they grossed up this income, but on appeal they amended it without question. For 1990-91 however, they grossed this income up again and on appeal they are refusing to amend it, saying it must be grossed up.

What is the true position?

■ Your appeal may be being dealt with by a junior inspector who has not been adequately trained. Point out to him (or her) that there are no grossing-up provisions in sections 541(1) and 547(1)(a) & (5) of the Income and Corporation Taxes Act 1988.

If by chance you have any more trouble on this point, write to the District Inspector (whose name will be at the top of the letter from the junior inspector), asking him or her to transfer your file to one of his or her assistants who is more familiar with the relevant sections of the Taxes Act.

## BEST RATES FOR YOUR MONEY

| | Account | Telephone | Notice/term | Minimum deposit | Rate % | Int. paid |
|---|---|---|---|---|---|---|
| **INVESTMENT A/C's and BONDS (Gross)** | | | | | | |
| Co-operative Bank | Pathfinder | 0800 616162 | Instant | £1 | 9.60% | Mly |
| Birmingham Midshires BS | First Class | 0902 710710 | Instant | £500 | 10.25% | Yly |
| Nottingham BS | Post Direct | 0602 481444 | Instant | £2,500 | 10.75% | Yly |
| | | | | £50,000 | 10.95% | Yly |
| Scarborough BS | Premier Fix | 0723 368155 | 1.8.92 | £1,000 | 11.5%F | Yly |
| Chelsea BS | Premier Acc 2nd | 0800 272505 | 31.1.94 | £10,000 | 12.0%* | Yly |
| Nationwide BS | Capital Bond | 0793 694485 | 2 Year | £10,000 | 12.30% | Yly |
| **TESSAs (Tax Free)** | | | | | | |
| Allied Trust Bank | | 071 626 0879 | 5 Year | £9,000 | 13.24% | Yly |
| National Counties BS | | 0372 742211 | 5 Year | £3,000 | 12.50% | Yly |
| Stroud & Swindon BS | | 0453 757011 | 5 Year | £100 | 12.10% | Yly |
| West Bromwich BS | | 021 525 7070 | 5 Year | £150 | 12.00% | Yly |
| **HIGH INTEREST CHEQUE A/Cs (Gross)** | | | | | | |
| Caledonian Bank | HICA | 031 556 8235 | Instant | £1 | 9.50% | Yly |
| UDT | Capital Plus | 0734 580411 | Instant | £1,000 | 9.40% | Qly |
| Chelsea BS | Classic Postal | 0242 521391 | Instant | £10,000 | 10.00% | Yly |
| | | | | £25,000 | 10.50% | Yly |
| Portman BS | Prestige Cheque | 0800 373176 | Instant | £50,000 | 10.75% | Yly |
| **OFFSHORE ACCOUNTS (Gross)** | | | | | | |
| Portman Channel Islands | Channel Islands | 0481 822747 | Instant | £500 | 9.70% | Yly |
| Yorkshire Guernsey BS | Key Ninety | 0481 719898 | 90 Day | £50,000 | 10.75% | Yly |
| | Key Extra | | 180 Day | £50,000 | 11.35% | Yly |
| Bristol & West Intl Ltd | The Intl Premier | 0481 720609 | 6 Mths # | £25,000 | 10.90% | Yly |
| C&G Channel Islands Ltd | Guernsey Bond | 0481 715422 | 1 Year | £10,000 | 10.65% | OM |
| **GUARANTEED INCOME BONDS (Net)** | | | | | | |
| General Portfolio FN | | 0279 462839 | 1 Year | £50,000 | 8.60% | Yly |
| Cannon Lincoln FN | | 081 902 8876 | 2 Year | £2,000 | 8.25% | Yly |
| Prosperity Life FN | | 0800 521546 | 3 Year | £25,000 | 8.60% | Yly |
| Consolidated Life FN | | 081 940 8343 | 4 Year | £2,000 | 8.15% | Yly |
| Hill Samuel FN | | 081 686 4355 | 5 Year | £5,000 | 8.40% | Yly |
| **NAT SAVINGS A/Cs & BONDS (Gross)** | | | | | | |
| | Investment A/C 8.60 wef 19.5.92 | | 1 Month | £5 | 9.50% | Yly |
| | Income Bonds 9.25 wef 18.6.92 | | 3 Month | £2,000 | 10.25% | Mly |
| on sale from May 13 | Capital Bonds D | | 5 Year | £100 | 10.75% | OM |
| **NAT SAVINGS CERTIFICATES (Tax Free)** | | | | | | |
| on sale from May 13 | 37th Issue | | 5 Year | £25 | 8.00%F | OM |
| | 5th Index Linked | | 5 Year | £25 | 4.50% + infln | OM |
| on sale from May 23 | Childrens Bond E | | 5 Year | £25 | 10.90% | OM |

Q&A

BRIEFCASE

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.*

## Woodland in trust

MY WIFE and I plan to make a deed of gift so that on our deaths about 20 acres of natural woodland passes to a local wildlife trust. We would like the woodland to be maintained by the trust in its natural state and would like to include a clause in the deed of gift to the effect that, if the trust should sell the land, then the proceeds would go to three or four charities equally, but none of the proceeds of the sale would go to the wildlife trust.

Our solicitor tells us (but we do not believe him) that we cannot include such a clause when we make a gift of this nature.

■ You could achieve your objective by a more elaborate provision, namely setting up a trust for the use of the wildlife trust so long as the land is retained in its natural state, with a gift over to the other charities if the land ceases to be so maintained.

*With the first burst of sunshine, **Lucia van der Post** has been thinking about picnic hampers, tables and the great outdoors*

# Hampers for posh people

I SUPPOSE *that there are a few people left with dividends, bonuses or pay rises to celebrate,* and what could be a more convivial birthday or anniversary present than a splendidly sybaritic hamper?

Alfred Dunhill, currently investigating its archive material in order to recreate the luxury products of yesteryear, has come up with a picnic case (photgraphed below) for which only champagne and the grandest of foods will do.

At £2,995 this is not, you understand, *the sort of hamper* from which you unwrap a cheese sandwich and a can of beer – *mais non*, it requires a full *fête champêtre* to fulfil its *ambitions. It is, you will have* gathered, the sort of picnic hamper that takes a bit of living up to.

*The Pic-Nic, the soubriquet* by which Alfred Dunhill likes it to be known, is kitted out in regal style – Waterford cut crystal glasses, Wedgwood porcelain, proper cutlery in a leather-covered canteen, leather-covered flasks and Irish linen napkins, not to mention some very refined touches that the posh picnicking classes seem to go in for, such as napkin rings and coasters.

The hamper as a whole when *closed* resembles nothing *so* much as a very smart leather-clad briefcase. For the moment it is only available at Alfred Dunhill, 30 Duke Street, St. *James's, London SW1Y 6DL.*

# Plan a garden revamp

A*NYONE WITH* a garden, however small, or a conservatory which could do with a revamp, should visit Holloways or send for the brochure.

*Holloways is a family-run* business run from a converted oast house in the village of Suckley, near Malvern in Worcestershire, specialising in conservatory interiors and antique garden ornaments. The *oast house is filled with* everything the proper conservatory could possibly need – from Lloyd Loom to Rattan, from cane to wrought-iron as well as lots of smaller things such as Regency-style plant-holders and bird baths.

Possibly the most enchanting section is the outside courtyard which is *filled* with an eclectic collection of finds gleaned from country houses and auctions all over the UK. You could come upon an ancient stone trough *or* cider mill, a *stone* bench, a sundial, an urn or figurine. It is a splendid place to search for a special present – a friend found an antique Georgian sundial which made a wonderful birthday present for his wife.

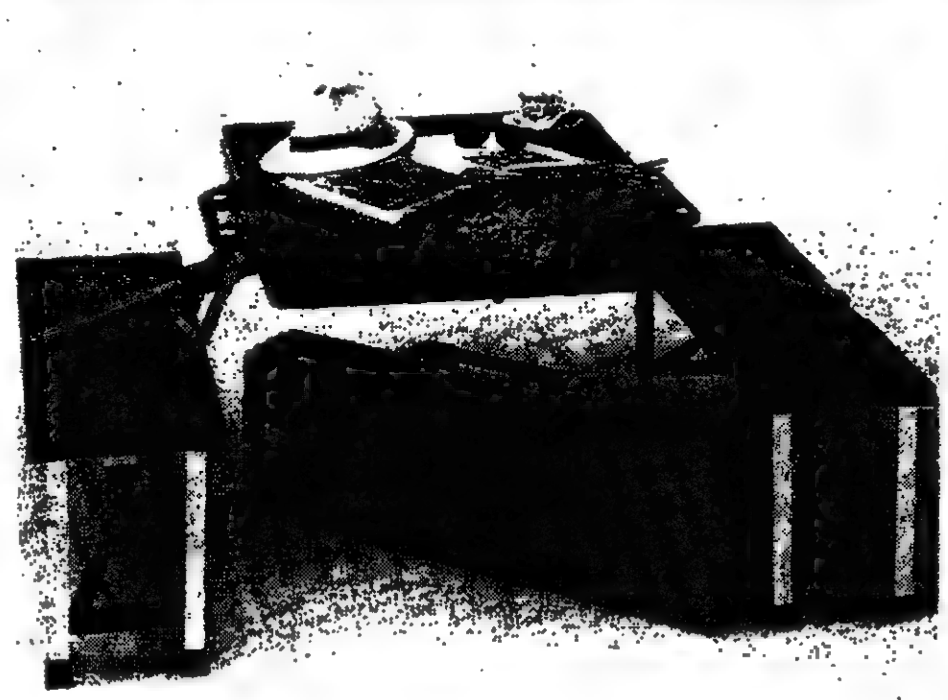
■ Holloways is at Lower Court, Suckley, Worcestershire WR6 5DE. Tel: 0886-884665.

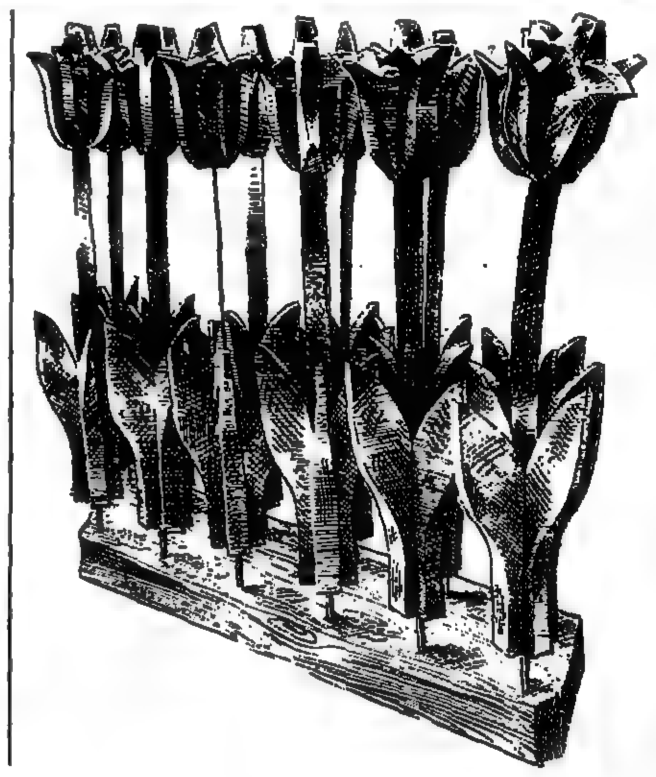
The company will send a set *of free brochures to potential* customers and is happy to discuss by telephone the sort of one-off antiques that they have in stock, or to search for something particular that you might have in mind.

# Time for summer table talk . . .

FOR somewhat more down-to-earth and less nostalgic picnicking *there is the Huzar* table (right). No more lolling on rugs damp with dew – this picnic table seats four in comfort and folds into a flattish carrying case so that it can be stowed in boot or boat.

*Made from plastic with a* strong aluminium frame, it is easy to clean and robust as well as light. It could go happily to pool or polo, to riverside or point-to-point, to *Badminton* or Glyndebourne. It weighs 21 lb, pulls out to measure 33½ in by 26 in and it comes in blue, green, red or yellow. It can only be bought by post and costs £69 from Huzar Co, PO Box 12, Knebworth, Herts SG3 6QQ. Tel: 0438-811018.





# Turn to wood

SO YOU have no room for a proper garden, and, *anyway*, your fingers, far from being green, are a much less attractive dirty grey – or the plants are by the time you have finished with them.

Grieve not. Invest in some *flowers that never fade or dry,* that need no watering, no weeding and, above all, no talking to. These hand-carved wooden tulips (left) on their green base come *from* The Garden Gallery, Ohio and cost £69.95 (p&p £5) *for a set of six* from The Museum Store, 20 The Piazza, Covent Garden, London WC2.

Another present from The *Museum Store is a packet of* seeds in colour-coded pots, which enable gardeners to recreate the plants grown by the painter, Monet. £19.99 (p&p £2).

# Zooming in on a bargain

***Glyn Genin**, the FT's picture editor, focuses on cameras*

FROM LATE last century, when most photographs were taken on glass plates, with cameras built of brass, leather and mahogany, *designers* sought to utilise 35mm film, made for the cinema, to make picture-taking more compact.

Oscar Barnuck's brilliant Leica prototype of *1913* was the forerunner of a classic range against which "miniature" cameras are judged, even today.

The grainy, slow, soot and whitewash emulsions made for the the silent screen were less than complimentary to Barnuck's uncompromising engineering, though.

Processing and enlarging *was also pretty primitive*, and it was more than 10 years before Ernst Leitz had enough confidence in the film stock available, produced chiefly by Eastman Kodak and Agfa, to begin manufacturing the Leica I in any quantity at their Wetzlar factory.

German manufacturers dominated the market for 35mm and rollfilm cameras between the wars, with Leica, Contax, and Rolleiflex the last word in mechanical and optical excellence. But they were far from cheap.

When Zeiss Ikon launched the Contax in 1932 it retailed for about the cost of a family car. A few were exported to Japan where they sold for the cost of a small family house.

It was certainly an *enduring* design, the Tokyo-built Nikon S2 of 1954 is a faithful replica of the 1936 vintage Contax II. Nikon, together with other Japanese manufacturers, Canon, Pentax, and Mamiya among them, now dominate the camera market. Ironically, the modern Contax is now made in Japan.

Amateur photographers now use much more 35mm *film* than the motion picture industry, for which it was designed – some 75m colour negative films, £280m worth this year in *the UK alone.*

Quality cameras no longer need be super-expensive. Excellent no-nonsense point-and-shoot compacts are available *for as little as £100, and bulk*ier, interchangeable lens SLR (single lens reflex) cameras for even less. Here are a few of the better buys:

KONICA BIG MINI (£100). Robust, lightweight, no nonsense compact.

SIGMA ZOOM SUPER-70 (£140). Impressive feature-laden *specification in less than com*pact body. Borrows passive autofocus technology from pricier SLR's. A real bargain.

NIKON TW ZOOM (£160). Neat, compact, versatile, with the pin sharp optics you would expect from Nikon.

SAMSUNG AF ZOOM (£190). Korean import, lots of features in a sleek body.

KONICA AIBORG (£210). Do *not let the Star Wars appear*ance put you off – won the Amateur Photographer Zoom Camera of the Year Award for [illegible].

*CONTAX T2 (£500). If you have* £500 to spend, forget the others. Beautifully engineered, with pin-sharp Zeiss lens.

PENTAX K1000 (£160 with 55mm lens). *Old-fashioned, but* rugged no nonsense SLR.

MINOLTA X-300 (£210 with 28-70mm zoom lens). Simple to use SLR.

CANON EOS 1000FN (£300 with 35-80mm zoom lens). SLR with built-in flash. Quiet and light.

NIKON F-801S (£590 with 50mm *lens). Most of the features of* the "professional" Nikon F4 – for a lot less than half the price.

Prices are a guide only; consult the weekly *Amateur Photographer* or the monthly *Practical Photographer* and *What Camera?* for the latest and best prices. Dealers and manufacturers have occasional special promotions.

Buy a Nikon *compact* camera before the end of August, for example, and you can get a family ticket to EuroDisney and up to three nights accomo*dation in Paris – not a bad* way to start using the camera.

America's Cup/**Keith Wheatley**

# High noon on the high seas

EVERY SPORT needs a baddie. Right now billionaire yachtsman Bill Koch is fulfilling the role perfectly for the America's Cup. Koch used dollars (around $75m of them) and science to eliminate veteran helmsman Dennis Conner from the chance to once more defend the Cup for the US. Today Koch races the Italian challenger *Il Moro* in the first of a best-of seven series.

"The Kanza Indians have a saying that the greatness of your tribe is determined by the greatness of your enemy," says Koch, whose family hail from Wichita, Kansas. "We think Dennis Conner is probably the greatest sailor that's ever been, so we're ecstatic to have beaten him to get to this point.

"I would attribute all our success here to Dennis pushing the hell out of us. We have made some technical innovations in the past month which we wouldn't have made had there not been this level of competition."

Nevertheless, a straw poll in the last few days by the *Los Angeles Times* among knowledgeable Cup observers failed to find a single one who thought that Koch would triumph and sailing's oldest trophy would stay in America.

Their confidence in *Il Moro's* chances stems largely from the Italian yacht's breathtaking feat in coming from 1-4 down against the Kiwi favourites to win the challenger series 5-4. Skipper Paul Cayard was almost alone in still believing he could best the New Zealand sailing machine. Back at the *Il Moro* base his shore crew were already breaking camp for the trip back to Venice.

By using the pressure from the bowsprit controversy Cayard was able to break the Kiwis, particularly skipper Rod Davis, pyschologically. Everyone involved with Cayard refers to the 32-year-old's enormous mental strength – combined with an intuitive sailing flair which makes him Conner's natural heir.

It is a potent combination to pit against a cumbersome *America*$^3$ brains' trust which Koch is skipper and steers once the boat is ahead, Olympic gold medallist Buddy Melges, 62, steers the tricky legs, and starting helmsman Dave Dellenbaugh looks after the aggressive pre-gun manoeuvres.

Do they have trouble making decisions? "Sometimes yes, sometimes no," laughs the delightful Melges. Like Conner he grew up near the water, talking his way aboard the boat of anybody who would give him a crew job. His father was a boat-builder and Melges sailed solo at the age of six on Lake Geneva, Wisconsin.

"We weren't well-to-do," recalled Melges. "I couldn't afford a bike until I was in high school. Sailing to me was a form of transportation. I'd sail over to a friend's house and then we'd race back to mine for supper."

He has moved into a different world now. *Il Moro* has a counterpart to Koch in financier Raul Gardini. The two men have a great deal in common. Both syndicate leaders have inherited sums in the region of $500m from family businesses and both have used lawyers to secure the money from their nearest and dearest.

They have lavished similar amounts on their Cup campaigns and both are former maxi-yacht world champions. Where they differ is in their attitude to sailing. Koch has a hands-on approach, asking why he should pay for another helmsman's ego trip; whereas Gardini prefers to be the paying passenger.

He often occupies the spot aboard the IACC yachts reserved for the 17th – non-participatory – man. Cayard refers to Gardini as "the man who looks as if he is on fire", a reference to the boss's two-packs-per-race cigarette habit. There is no love lost between the two owners.

"Raul spent five to 10 times what I did on his maxi-yacht and I still beat him," said Koch. "And I look forward to beating him again." Koch's maxi *Matador*$^2$, world champion in 1990 and '91, was the product of five year's research and a testament to her owner's faith in science, rather than art, making boats go fast.

To become defender of international sport's oldest trophy Koch has formed a huge team, dominated by technology rather than sailors. More than half the 175 people on the *America*$^3$ payroll are scientists.

"We are based on two principles," says Koch. "Science prevails over art in terms of achieving boat-speed and teamwork prevails over egotism."

Predictions about who will win the America's Cup are thicker in the air than LA smog. Rod Davis, skipper of New Zealand's beaten challenger, is adamant that the Cup is bound for Italy. "I haven't decided whether it's going to be 4-1 or 4-0 yet," he said.

"But I think *Il Moro* is going to give *America*$^3$ a pretty good thrashing."

Dennis Conner, beaten by more than five minutes by *America*$^3$ in the last race of the defender trials, tends to the opposite view. "Koch's yacht is a heck of a good boat," says the helmsman who hasn't been dumped from an America's Cup since 1974. "If they can sail it, we'll win."

Since the two boats have yet to meet head-to-head the form book is non-existent. Yet computer analyses from the dozens of races in the two sets of elimination trials suggest that *America*$^3$ is marginally faster – about 1m 32s around the 20-mile course.

However, if it were settled on the quality of invective one might feel that Gardini is already 3-0 up and ahead in the fourth race.

"I see Koch has suggested a new regulation where the owner has to steer sometimes," says Gardini. "It would be a silly rule if we all steered like he does. The only time we raced together directly, he lost."

Whether the Cup comes to Europe or is successfully defended in California, one name is already on the board for 1995. Dennis "don't look back" Conner is even now stalking America's boardrooms, and has sponsors in place.

"I'll be back, stronger than I was this year," predicts the maestro. "I've had worse defeats. Heck, I lost the thing in 1983 and it turned out to be the best thing that ever happened to the event. It put the cup and Dennis Conner on the map."

Waiting for Imran: the absent captain has repeatedly come to Pakistan's rescue

Cricket/**Teresa McLean**

# Pakistan opens without the master of the late entrance

FORTUNE WAS against me when it sent Imran Khan to Oxford University in 1973, the year after I had left. Although I enjoyed many a happy hour watching cricket in the Parks, I only saw Imran later, when the county circuit brought him nearby, playing sadly for Worcestershire, drinking milk and hating the pub evenings that are the heart of most cricketers' social lives. I did not see him play for Pakistan until 1982, when he brought them on a short tour of England. Imran is an easy man to miss. So easy that one is tempted to conclude that managing his absences ranks among his most astute cricketing skills.

No-one knows better than Imran when to make people miss him, miss him so much that he has no alternative but to return in a blaze of glory because his country cannot go on without him. His captaincy is not especially exciting or enterprising, but it is strong. When Imran made his debut as captain of Pakistan 10 years ago, Pakistan lost the three-Test series 2-1, but came away triumphantly because they had won Pakistan's first Test victory at Lords. Imran followed that up with crushing defeats of Australia, where his legspinning protégé Abdul Qadir fatally mesmerised the batsmen, and then of India. Only a stress fracture of the shin removed him from power for the next couple of years.

I suppose it was only that.

First Zaheer Abbas, then Javed Miandad took over the leadership when Imran had to drop out in late 1983, but in early 1984 the selectors were sacked because they had preferred Javed to the unfit Imran as captain in Australia, to nationwide dismay.

Imran was declared captain although he could not bowl at all and could only play a bit, cautiously, in the fourth Test. The crack in his shin kept opening and closing. He said it might well be the end of his Test career.

By late 1985 he was back, after Javed's aggressive captaincy had provoked complaints, from Pakistan's players and opponents alike. Imran then led Pakistan through a drawn series against the West Indies and a victorious one against the old rivals, India, which saw the team welcomed home as national heroes and Imran as a phoenix deserving of endless adulation.

Instances of Imran reluctantly returning to power are too numerous to list, the latest and most spectacular being the World Cup. But they illustrate a principle worth remembering, now that Pakistan are here for a gruelling 15 week tour, with 34 matches, including five Test and five Texaco one-day internationals. This is ideal waiting ground for Imran. He is nursing his sore shoulder, watching and waiting.

Anyone lucky enough to be at Worcester could testify to the glorious ferocity of Pakistan's batting attack, as Ramiz Raja and Salim Malik tore the bowling apart on Wednesday, and also to its volatile nature: on Friday they were all out for 93 in the second innings. Aamir Sohail had a less than memorable match, but he is a difficult character who makes his presence felt in every game in which he plays. Wicket-keeper Moin Khan is another fiery, disruptive element.

In a long tour, after a hard but victorious World Cup with a month's unremitting celebrations afterwards, the problem is going to be keeping up the team's momentum and keeping its players together as a team. A set of meteoric personalities like these is liable to crack into factions under pressure.

Javed, Pakistan's captain, is a great fighter and an insatiable competitor, but he is not a man to ease pressure or, I think, to use it to best advantage, which is one of Imran's strengths.

If they confront it right, the Pakistanis thrive on adversity. Sometimes it is almost as if they get into trouble on purpose, so they can come out of it all the more sensationally.

"Forget all these worries about no-balls and wides and just go and fight," Imran told his troops three games before the World Cup final, with three wins needed to qualify. They qualified and won. If Javed can keep all the fighting directed against the enemy, he has some players of fearsome talent at his disposal.

England's best policy is probably to "try and stay cool", as Gooch put it when asked last summer how he helped his team face ferocious West Indian bowling bombardments. You would not find either Imran or Javed telling the Pakistani Tigers to try and stay cool, but they would find it frustrating if the enemy stays cool.

In Karachi, where Javed comes from, cricket is battle, and if the game itself fails to generate enough crackle, I would not be surprised to see him get himself involved in some sort of trouble associated with the game. This would be a sad second best.

Pakistan are disappointed that England are using English umpires for this tour, though they have accepted the fact. This position, which has a certain ironic tinge to it, is a possible source of trouble under pressure, as is the over-crowded schedule crammed with one-day matches, England's desire for revenge after the World Cup, Pakistan's desire to complete their humiliation of colonial England and, of course, the ever-present tensions of Pakistani cricket politics.

Whether or not Javed and Imran end up playing this tour as a double act, it should be an exciting one to watch. Wasim Akram of Lancashire, Salim Malik of Essex and the injured Waqar Younis of Surrey have enough experience of English teams and conditions to give useful advice, though of course that can become too much of a good thing.

Intikhab Alam, Pakistan's manager, with 12 popular years of leg-spin bowling and muscular batting for Surrey behind him (1969-1981), will have to handle that carefully. He should be a good man to help bring young Mushtaq Ahmed's bowling of wrist spin, leg-spin, googlies and flippers to its best.

And of course there is always Imran. The man who first spotted and fostered the talent of Wasim and Waqar; who picked Mushtaq as a worthy successor to the magical Qadir, another of his discoveries, and has declared the dynamic 22 year-old batsman Inzamam-ul-Haq to be a genius. Who dare argue? Imran has an expert knowledge of cricket. He loves being in command; indeed, some say he was born to be in command. I wonder what odds are being offered on whether Imran will emerge from retirement this summer, for the very last time, to show his players how to play and win, even when it is impossible.

Golf/**John Hopkins**

# Sweet Sandy swings back

THE sounds of approval that greeted the victory by Sandy Lyle in the Italian Open last Sunday could be heard from Land's End to John O'Groats. Lyle may be the most popular professional golfer on the European tour, One who does what he says he will do, never forgets a friend though a face might sometimes escape him. He remains impressively consistent, whether in victory or in defeat.

Lyle is more than just the most popular of men. He may be the most naturally gifted player, more so than Nick Faldo, Bernhard Langer, even than Ian Woosnam. He was an infant prodigy who was making sweet music with his golf clubs at an extraordinarily early age. At three, when he could comfortably pass underneath the handle of a trolley, he was able to hit a golf ball 100 yards or so with his teeny-weeny clubs.

Alexander Walter Barr Lyle is a Shropshire lad who was born in Shrewsbury and grew up in the picture postcard village of Weston-under-Penyard. It is a forgotten area, which time seems to have passed by, down just off the Whitchurch-Shrewsbury road. There were trees to climb, caves to explore, a church with a lych gate. Mostly, though, he played golf.

He was fat as a child and his nickname was Podge. Therein lies the root of his erratic and ungainly backswing. It was the only way he could get the club around his stomach. In his early teens he contracted German measles and retired to bed for three weeks. While in bed he grew three inches and lost two stone. Although he was no longer a fat boy, he retained his eccentric backswing.

There are many stories about Lyle. My own favourite tells you something about him. I am sure it is apocryphal but if you promise not to tell anyone, then I will repeat it.

In 1988 on the night of the third round of the US Masters, a couple of mischievous journalists came upon Sandy's enormous shoes in the clubhouse at Augusta. One of the journalists scribbled a note on a piece of paper and slipped in to Lyle's shoe. "This is your left shoe, Sandy," it said.

The next day Lyle marched to victory, a victory that was marked by his fantastic bunker shot on the 18th. At the end of the round he removed his left shoe, found the piece of paper inside it and said: "I wondered what that was."

In 1985 Lyle became the first Briton since Tony Jacklin in 1969 to win the Open. It is typical of him that the next day a marquee was erected in the garden of his home at Wentworth and friends and journalists were invited round. Sandy washed the dishes in the kitchen. That is Sandy Lyle for you: Open champion one day, kitchen skivvy the next.

In 1987 I began to write a book with Dave Musgrove, Lyle's caddie. The idea had been suggested several years earlier but Christine Lyle, who was Sandy's wife, put her foot down.

By 1987, Lyle's marriage had ended and all barriers to our book had therefore been withdrawn. I started work immediately. It was a memorable experience for two reasons. The first was that it allowed me to get to know Musgrove better. A man with a saying for every day of the month, he became a friend, a guide through the sometimes superficial world of professional golf.

While writing the book I gained an insight in to the core of the professional tour. And I lost count of the number of flattering comments Dave made about his boss, and the perks that came Musgrove's way, courtesy of Lyle, from first-class air flights to five-star accommodation.

"Sandy is the best bloke in the world to caddie for" Musgrove said at the time. "My wages must be the best on tour and when I stay at his home at Wentworth he brings me tea in the morning."

In 1989 Lyle returned to Augusta to defend his US Masters title. With him was his father Alex and his mother Agnes. Walking around watching an obviously out-of-form Sandy was taxing for Lyle senior. He could not make out what was wrong. One minute Lyle would whistle out an enormous drive and fluff the second shot, the next he would three-putt.

"You know what pleases me most, more than seeing Sandy win championships?" asked Alex.

"It is seeing the respect Sandy is held in by his fellow professionals. Every one has a word for him. That makes me very proud."

No more than the the rest of the golf world is of his son. Welcome back Sandy.

Tennis/**John Barrett**

# When father knows best

AS A breed they are by turns villified, appreciated, despised, applauded, pitied and cursed. Oh yes, and sometimes loved – but never understood and seldom given the credit for an atom of intelligence. Those among you who are fathers of teenage daughters will recognise themselves immediately.

It is not easy being a father – particularly when your daughter is just an ordinary, fun loving multi-millionaire and the main source of family income.

In Rome this week Karoly Seles, whose daughter Monica collects stuffed animals, and Stefano Capriati, whose daughter Jennifer collects records (both the "youngest-ever" and "pop" variety) have been suffering in the stands while their breadwinners have battled away on the slow red clay.

When I sat watching the two girls play one another on a cement court in the quarter-finals of the Lipton event in Key Biscayne, Florida, seven weeks ago, the two sets of parents – Karoly and Esther, Stefano and Denise – sat at opposite ends of the court surrounded by the usual entourage of coaches, trainers, genuine friends and hangers-on.

Before the match I was told by Pavel Slozil, the former Czech Davis Cup player who used to coach Steffi Graf, that his new charge, Capriati, would upset the favourite – in spite of the arguments he was having with Stefano about Jennifer's preparation. How right he was. As the 16-year-old Florida girl, raking the lines with relentless accuracy, inflicted the first defeat of 1992 on Seles I exchanged a smile with Slozil. How lucky, I thought, that Jennifer had the advantage of such sound advice and such an experienced practice opponent. At the far end Karoly and Esther hid their disappointment by sportingly applauding Capriati.

The next day Capriati lost decisively to Arantxa Sanchez, a not unexpected result considering this was Jennifer's first tournament for two months. But at least she had recovered her zest for the game after debating at the start of the year (to the family's horror) whether to chuck it all up and resume her interrupted life as a happy, smiling teenager.

Just two weeks after Key Biscayne, Jennifer lost unexpectedly in Hilton Head to the Czech Veronika Martinek, ranked 83. That *was* a bad result. But I'm sure Slozil did not guess what the result would be for him. Dismissal. Stefano, who had ended Jennifer's successful association with last year's coach Tom Gullikson to bring in Slozil four months ago, announced that from now on he would be in charge of the coaching, and the Florida trainer Laurie Schuett would be drafted in to work on Jennifer's puppy fat. Like any corporate chief, Stefano had to slim down his workforce in the middle of a recession.

Slozil must have been smiling quietly on Thursday when Jennifer suffered another unexpected defeat in Rome, at the hands of the diminutive 20-year-old South African, Amanda Coetzer, ranked 31. As Stefano is discovering, the pit of parental pain is bottomless.

Meanwhile, the irrepressible Seles had bounced back to break another record. By winning the Spanish Open two weeks ago in Barcelona, to claim her 25th career title at 18 years and four months, four months younger than Tracy Austin had been in 1981 when the American reached her quarter century. This was only Monica's 49th tournament whereas it took Austin 71. I hope Karoly bought her another cuddly toy to add to the collection.

Golden child: Jennifer Capriati with mother Denise and father Stefano who is now her coach

Chris Evert (another former child prodigy hand-reared by her father) had played one more tournament than Seles when she won her 25th title, and was a full nine months older, while Steffi Graf (also father figured) was eight months older and playing her 78th tournament when she passed the same milestone. Seles's 25 titles took only 217 matches, an average of 8.68 matches per title. Evert's 157 career wins averaged 9.26 matches, Navratilova's average for her 159 successes is 9.54 and Graf's is 9.6 for 63 wins.

Whichever way you look at it, Seles is the best player to emerge in the era of Open tennis. She was the youngest winner of a Grand Slam crown in modern times when she beat Graf in Paris in 1990 at the age of 16 years six months (true, Lottie Dod was 15 years 10 months when she won at Wimbledon in 1887 but there were only five challengers that year); she won four Grand Slams in her first nine attempts (Evert's fourth came at her 13th attempt, Graf's at her 17th); and last year, aged 17 years 11 months, Monica became the youngest-ever World Champion.

Although Karoly is nominally Monica's coach, all the ground work was done by Nick Bollettieri at his Academy in Bradenton, Florida. He helped the family to emigrate from Yugoslavia after spotting Monica as a 10 year old at the old Sport Goofy event in Orlando. After investing years of time, money and effort in honing her talents and protecting her from too much competition too soon, he was shocked and hurt to be cast aside without a word of thanks.

Perhaps Nick should engage Slozil as an extra father figure to hit with the latest prodigy he is developing at Bradenton (yes there is one, but I have promised him not to divulge her name). Then they could both suffer as all fathers should.

GARDENING

# Westward hoe! In search of new plants and ideas

***Robin Lane Fox** loses himself exploring the gardens of the Worcester triangle*

GARDENERS are enjoying their best spring for years; everything looks green and happy; lilacs are already in flower and this years' edition of *The Plant Finder* has just come out to join them. To celebrate it, I have taken a break from preventive poisoning: heading west looking for ideas on what we could all be growing.

Westwards towards Worcestershire, there are ideas by the dozen, some of which are easier to accommodate than others. Yellow Alyssum is too harsh for my taste, but there might be possibilities in imitating red Darwin tulips in grass, while the blossom on the apple trees should cause us all to regret those which had to be grubbed out soon after we entered the EC.

Near Malvern, there is the best selection of Michaelmas daisies in any nursery in the country; at Kingswynford near Kidderminster, there are the best Lewisias; near Tewkesbury (WHoo in *The Plant Finder*) there is a list of admirably grown Alpines within vibration-range of the town's dual carriageway; they are so fairly priced that most were bought months ago. All in all, patient plant finders could be lost for days in the Gloucester-Worcestershire triangle. My taste has learned most from one of my favourite hunting-grounds, the walled garden and nursery at Stone House Cottage, Stone, near Kidderminster.

This small nursery is no longer a stranger to connoisseurs. Its mastermind is Louisa Arbuthnot, and when I wrote about her enterprise six years ago, the article managed to sing her praises as the skilled keeper of several thousand pets. The "pets" should have been "pots," but this unsolicited credit has not stopped the nursery from widening its clientèle or the proprietors from adding a fifth baby to their family. They continue to propagate, criticise and supply a huge range of plants with a highly personal labelling system.

The enterprise depends on an exceptionally sharp-eyed wife, a reassuringly informed husband and no more than one willing assistant. This time I have returned with young plants of a rare Oriental buddleia, collected by a keen woman amateur gardener from the Great Wall of China when tourism was still politically defensible.

A grey-leaved and pink-flowered variety, it has proved quite hardy and ought to be an apt choice for my own local wall against barbarism; the ancient city wall of Oxford, which stands in my college gardens.

The nursery supplies visitors only, but I am not trying to tantalise you by writing merely about a source off the beaten track. Stone House Cottage has a second string to its bow. The owners planted many of their nursery's plant in their adjacent walled garden and, as they have lived there for some 20 years, the garden has become a living lesson.

It alerts you to the potential of plants which are otherwise names in a list, by showing them off at maturity. The setting is not so grand that it is inimitable.

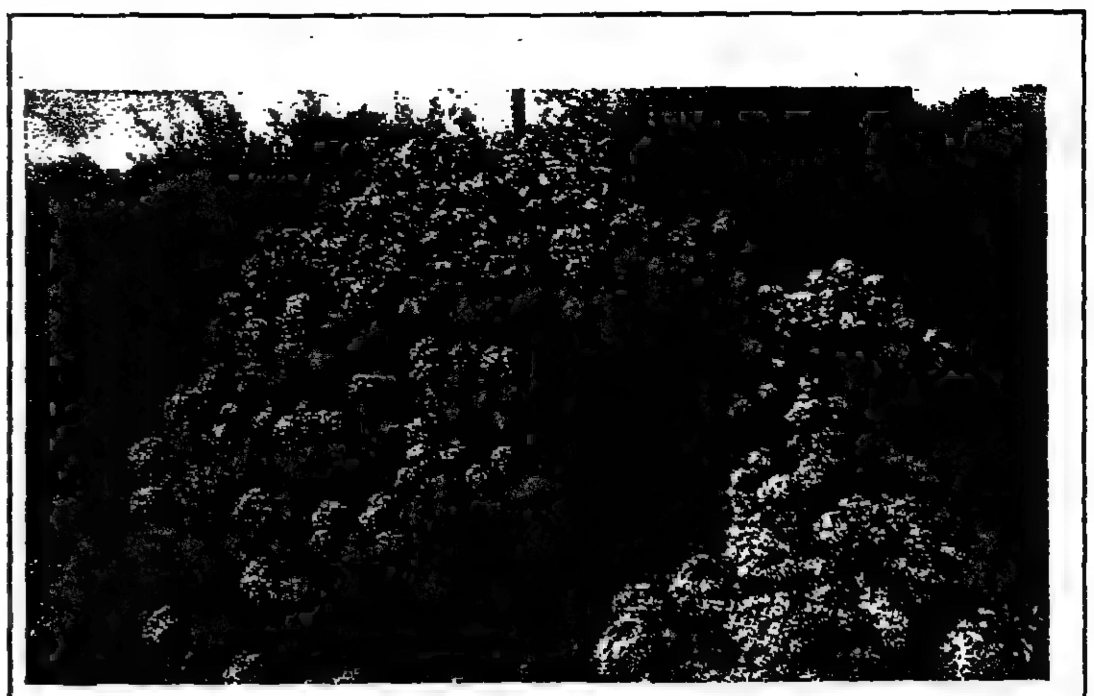
This weekend, beds at the foot of the walls have white-flowered Bleeding Heart, the last of the tulips and a rare Blue Eyed Mary which has little blue flowers starred with white. Pink and yellow Epimediums keep company with some exceptional rarities, none finer than a plant of Corydalis Flexuosa. This lovely variety was introduced after an Oriental field-trip and was already the talks of experts in the lunch-tent at last year's Chelsea flower show. I now see why. This one plant was smothered in a flock of crested flowers in an electric shade of blue which outclasses anything except spring gentians.

Such rarities are beyond most of us, but the shrubs and wall-plants are another matter. Many of you know or grow the pale yellow flowers of Rose Canary Bird which is so good in a pot or tub. On Stone House Cottage's wall, I was attracted once by a deeper and richer variety. It turned out to be Rose Helen Knight which was bred in the late 1960s and is not related to Canary Bird at all.

Its parents are a wild yellow rose from Afghanistan, and a plain Scots Burnet variety. Its breeder, Frank Knight, thought highly of it, but gardeners have been slower to follow his judgment. If you see a mature plant, you realise at once that it is a winner. It is located against the clashing red leaves of a young Pieris in its Worcestershire setting. Starting from scratch, it would be good in a pot or against a wallat a height of 5 ft, even in semi-shaded conditions.

Like Rose Canary Bird, the usual forms of Flowering Currant or Ribes are very well known. One form, however, is more like a flowering gooseberry, the prickly ribes speciosum. Its crimson-red flowers hang downwards from the branches and are hardier when trained against a sunny wall. At a flower show, young plants look ever so slightly boring. At maturity, it is quite different: after eight years or so, it is looking its best in its Worcestershire setting.

So has a white-flowered white lilac with a touch of ink-blue to its single petals. In Oxford's Botanic Garden, Syringa persica alba is trained vertically up a wall where it flowers very freely. In the walled nursery garden, this lilac bulges forward at a lower height, not far from tall pink-flowered Syringa microphylla, one of the great repeat-flowerers in the family. Together they remind you that large-flowered hybrid lilacs do not have things all their own way in May.



**Plant of the Week**

*Choisya ternata*

This fine evergreen shrub is known as the Mexican Orange Blossom because its white, sweetly-scented flowers are somewhat like those of the orange but the plants are totally unrelated. The leaves are three-parted, very glossy and aromatic when bruised. The flowers are produced most freely in May and early June but a few more to appear later in the summer. It makes a densely-branched bush, 5 ft or more high, but it can be kept smaller by pruning after flowering. It likes sunny places sheltered from wind. ......AH

Established gardens also reassure those of us who are not so far down a new garden's path. They show you small daphne retusa after 10 years or a daphniphyllum looking its best; they prove to you that Sycopsis is not just a suitable name for another dark green shrub with tediously small flowers. They also show you that one day, too, your own choices will make the grade.

A mainstay of my own newish plantings is the scented white Viburnum carlcephalum. Since planting it, I have read criticisms of it because it is less refined than the less vigorous varieties such as Carlesii. Its choice cost me hours of uncertainty, but I wanted a good grower which could be pruned gradually into an upright bush like a small standard tree above low carpets of small hardy plants.

Will the carlcephalum agree to be clipped and grow upwards not outwards? Books never give the answer, and my young bushes are already bulging sideways with huge crops of the big scented flowers.

At Stone House Cottage, a much older bush has reached just the height and shape I have envisaged. Returning home, I have seen a dozen new names at their mature best, but I have also seen evidence that a bet on the future is really going to work.

■ *The Plant Finder, costs £10.99 and is distributed by Moorlands Publishing, Moor Farm Rd, Airfield Estate, Derbyshire DE6 1HD*

Alan Bloom's Dell Garden, one of the illustrations in a new gardening encyclopaedia

Photos Hortifoto(?)

# For the really serious

***Arthur Hellyer** reviews two definitive books for gardeners*

THE NEW Royal Horticultural Society *Dictionary of Gardening*, in four volumes, has been published. For serious gardeners and students of gardening this is the most important set of books to appear for a long time, probably since W.J. Bean's *Trees and Shrubs Hardy in the British Isles* appeared in its eighth edition between 1970 and 1988.

But between these two great works there is a fundamental difference. Bean's five volumes were a straightforward revision, updating and enlargement of something that had been with us for a long time; a familiar friend with much new material and a considerable alteration of names but nevertheless looking much like previous editions.

This new RHS work, of which Anthony Huxley is editor-in-chief, Mark Griffiths, editor, and Margot Levi, managing editor, and on which something like 250 contributors have been employed, is an entirely new work, not an update of the old *RHS Dictionary of Gardening*, which was itself based on Nicholson's *Illustrated Dictionary of Gardening*, first published in parts between 1884 and 1888.

The only things that are familiar are the arrangements in strictly alphabetical order and similar-sized pages, although the columns of type are wider.

The old line drawings in the text have disappeared, to be replaced by mainly whole-page plates of line drawings which are too widely dispersed to do much to alleviate the very solid appearance of the text.

There are obvious gains that have been obtained from all these points of difference. First and foremost, there can have been no temptation, in a drowsy moment, to let old copy slip through unchallenged. Where all is new, everything must have been considered critically and I would expect this important work to find a great deal of favour with botanists. It must not go completely unchallenged for it is the job of taxonomists to examine their material constantly and to come up with new suggestions for more revealing or more accurate systems of classification.

Many of the names in the new dictionary are quite different from those in the volumes they replace and, where they are the same, the descriptions, although fully botanical like those of the old work, are quite new, which can sometimes be a bit disconcerting.

But, now that we have *"The Plant Finder"*, not only to tell us where to buy plants but what names we should be using for them, a great many of these new names have a degree of familiarity. I am interested to note that Chris Phillip and Tony Lord, compiler and editor of *The Plant Finder*, are among those acknowledged for their usefulness in the editorial forward to the new RHS *Dictionary of Gardening*.

I have nothing but commendation for the pains which the editors have taken to explain how to use the book and what various names mean. It is the fullest and clearest such explanation I can recollect reading. There has also been an effort, characteristic of some thinking in the higher ranks of the RHS at the moment, to rate some plants for hardiness based on a fairly simple system of zoning, such as that which has been in use in North America for many years.

There are two hardiness maps, one for North America and the other for Europe. For the time being, the rest of the world must exist without such guidance and I do not know that there is very great loss in this, because hardiness depends upon so many things other than minimum temperatures. The editors are well aware of this, and the long entry on hardiness is full of excellent advice.

One advantage of the closely packed pages is that it has been possible to compress into four volumes what appears to be an even greater amount of information than that contained in the former five.

There are 3,983 genera and about 50,000 plant entries. 20 pages are devoted to the history of gardening in the UK – never attempted in the previous work – and a further 12½ pages are given to US history. Nearly 150 pages at the end of volume four are devoted to ancillary matters such as pests, diseases and disorders; a long horticultural glossary and another on botanical epithets; an index of all the authors cited in the text; an extensive bibliography, and an index of popular names which I have already found useful.

For the next 10 years or so, this is going to be the definitive work, to which all of us who are not active botanists will turn for the "correct" names for each and every plant that we grow, write about or discuss. Not that any dictionary of plants, however authoritative, can remain completely unchallenged for long. The speed of increase of knowledge about plants and the variety of opinions about their relationship to one another has never been greater than it is today.

There is no doubt that Anthony Huxley and his assistants have done a wonderful job – one that I would have called impossible if it had been explained to me at the outset what was proposed. I thought they were revising the work, not replacing it. The price of the new dictionary is £495.

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An encyclopaedia of very different character is *Blooms of Bressingham Garden Plants*, sub-titled *Choosing the Best Hardy Plants for your Garden*. It is by Alan and Adrian Bloom, a father-and-son team; between them they have as good a knowledge of hardy plants, shrubs and heathers as anyone I know.

Alan, who has been growing and raising good plants all his life, is now 85, and still tending his famous dell garden near Diss, in Norfolk, as assiduously as ever.

Adrian has one of the most extensive heather and small conifer gardens in the UK, only a few hundred yards away from his father's, and they are both involved in Bressingham Gardens which supplies garden centres all over the country. They also have a couple of very good centres of their own and do a big retail trade.

Their encyclopedia is well written, informative, practical, and contains no strange new botanical names to disturb its readers.

Beautifully produced, with excellent colour pictures, it is a book to instruct as well as to delight readers and browsers. It costs a reasonable £19.99, and is published by Harper Collins.

# How to beat the hosepipe ban

*With the water table in Britain at a record low, and Kent's population already banned from using hosepipes, **Peter Knight** looks at ways of keeping the roses blooming, the lawns green and the vegetables growing*

TO SAVE that camellia and beat the hosepipe ban, you splash down two flights of stairs with last night's bath water in a leaking can. Now the bath tub is scratched, the carpet is wet and your right shoulder hurts. Surely there must be a better way for you and the garden to survive these greenhouse summers?

There is. In fact, there are three:

■ Water less but better.
■ Catch and store rain water.
■ Recycle bath and sink water without using buckets.

All these solutions are simple. All could contribute to more beautiful gardens and reduce water consumption. A garden sprinkler uses as much water in 30 minutes as a family of four consumes in a day of eating, drinking, bathing and flushing. This information comes from Thames Water, the company supplying water to much of London and surrounding areas. Thames has joined the Royal Botanic Gardens at Kew to produce a guide on how to quench a garden's thirst without wasting water or damaging the plants.

Kew has cut back drastically on its watering over the past few dry years, with no harmful effects to its collection. These are its basic tips:

■ Help the soil to retain moisture by digging-in bulky organic material such as manure or compost.
■ Mulch exposed soil with compost, manure, gravel or bark.
■ Water new plants thoroughly when planting.
■ Remove weeds regularly; they take moisture and nutrients from the soil.
■ Water thoroughly but infrequently – this encourages stronger growth.
■ Ensure that plant species from dry climates are not overwatered.
■ Use rainwater to supplement the mains supply.

A modest house, or even a garden shed, can catch a surprising amount of water from the roof – around 12,000 gallons a year from a small house. The easiest and cheapest way to store it is in a simple plastic butt, available from garden centres or by mail order for under £30. None of these predominantly green tubs is pleasing aesthetically, but they can be hidden behind a climber or painted to camouflage their presence.

Some garden centres also stock large oak barrels which have been converted into butts. These cost around £80 and look a lot better than the plastic versions. They must never be allowed to dry out and should also get a yearly coat of oil or wood preservative.

Butts can be placed some distance away from the downpipe by using special attachments that connect to it and a length of hose. Two of the most popular are the Rainmate (£19.95 from Agriframes) and the Rainmiser (£15.95 from Blackwall). Both are installed as an integral part of the downpipe, allowing water to flow to the tank but cutting it off when the butt is full.

A drawback is that a typical butt stores about 45 gallons, which is only a little more than a sprinkler could consume in about 30 minutes. A number can be joined by connecting the overflows, although a row of butts can look very unsightly.

If you have the space and the need, then it might be sensible to buy a big tank and bury it, say, under the lawn. This might sound rather radical (and impossible for many town gardens); but as Britain's climate, especially in the southern part of England, becomes more Mediterranean, it might be prudent to do what Mediterraneans have been doing for centuries – storing water underground.

Once the hole has been covered and the lawn restored, the garden will benefit from a few thousand gallons of rain water stored prudently over the winter and extracted in the summer with a small electric pump. Tank stockists are listed under horticultural and farmers' supplies in the Yellow Pages.

Prices for a 1,000-gallon tank run from about £300 (second-hand tanks are about a third of that) without installation. Expect to pay around £500 for the whole job.

Such tanks are especially useful if you want to store and recycle your bath and sink water – called grey water – by using it on the garden. This water might not be suitable for drinking, but it is only slightly murky, and many plants appear to thrive on a little Fenjal or Fairy Liquid.

There are three main options for recycling grey water; all involve a reasonably intelligent plumber. A simple solution is to instal a storage tank in the loft. This is connected to a valve and pump which fills it automatically when you pull the plug. The tank is connected to your hosepipe with pressure supplied by gravity. Alternatively, an underground tank could be filled directly from the bath and sink and the water pumped through the hose when needed.

It is essential to separate grey and rain water, using different tanks, and to use grey water quickly. This is because it contains organic matter that will both spoil the fresh rain water (ideal for pot plants) and cause an unpleasant smell as it rots. There is also a small risk of disease.

A more complicated solution is to purify your grey water. While this is realistic only for very big gardens or hotels, the idea is quite simple and sensible.

Before being stored, grey water is filtered through sand or reed beds. Bacteria living on the roots of the reeds eat the organic matter in the water. Such a purification system can be made a feature of the garden, disguised as a pond or fountain.

In the UK, there two bureaucratic problems may hinder potential water recyclers. Water companies claim they "own" the grey water and that it is not necessarily ours to recycle. Their main concern is that devious consumers will simply run the bath tap to fill their storage tanks during a hosepipe ban.

Also, environmental health officers might be concerned about a DIY water treatment works being set up in an urban area. It would be wise to check with the authorities before spending.

Of course, there is a much simpler but more labour-intensive solution for re-using grey water. Fit a hose connection to the bath drainage pipe before it joins the sewer. Position your hose, or connect it to a seepage watering system, and yell for someone to pull the plug.

■ *Mail-order suppliers: Blackwall Products (tel: 081-305-1431) sells water butts (made from recycled bulk fruit juice containers) and the Rainmiser. Agriframes (0342-328-644) sells butts and the Rainmate.*

As they say in Europe/**James Morgan**

# Faraway troubles

"WE'RE not that worried by the war in Bosnia," said a colleague from Slovenia the other day. "After all it's 400km away." A paradoxical rule of life, which journalists refuse to accept, is that the greater the distance, the worse the trouble. There were no anti-Vietnam war demos in southeast Asia in the 1970s because nobody there cared. In suburban Belfast they say that strife-torn Shankill is a world away. On the other hand, anxious parents in London fret for their daughter in Madras when an earthquake hits the Himalayas.

Confirmation of this came when I tried to make sense of events in Bosnia by looking at them from just up the road rather than through the British media. Slovenia's leading daily, *Delo*, shows that familiarity breeds nonchalance: it carries less news about the fighting than does the *FT*. But nonchalance does not make anything easier to understand, witness the editorial, mainly about Croatia, in Delo headed "The forgotten war."

The writer, Goran Moravcek, does not like Lord Carrington. He "very often equates the aggressor with the victim so it is no wonder that Lord Carrington is still pursuing his catastrophic peace policy. The war in the states of former Yugoslavia is very probably seen by major western countries as a local struggle between frenzied tribes who do not know what they are fighting for."

Contradictions emerge, not just over poor Lord Carrington, who is expected to find a peaceful solution when the writer evidently believes there is not one. The south Slav story is hard enough to follow even without well-informed observers like Moravcek. He approvingly quotes the statement of the Croatian leader, Franjo Tudjman, that he is not supplying weapons to Bosnia, while a paragraph later it is said that vast amounts of material are flowing from Croatia to Bosnia. Moravcek also asserts that Croatia is in a position to expel the invaders without outside help, and any external intervention such as a UN peace force would be counter-productive. A central figure is the Bosnian President, Alija Izetbegovic. Moravcek maintains he owes his position to the local Croats – if they had not risen against the Serbs, he would have been out.

If being more confused means one is better informed, then I had benefitedf from reading this account. But the Germans would be more helpful, I thought. After all, they know the Balkans better than the rest of us.

I relied on *Die Welt's* Vienna-based expert, Carl Gustaf Ströhm. From him I learned that the Bosnian leader has a local critic – "the President of the Moslem National Council of the Sandjak, Sulejman Ugljanin."

This highlights the hitherto unreported row (yes, another one) between the Moslem population of Bosnia and that of the Moslem enclave in Serbia, the Sandjak. Ugljanin says he admires the will of Izetbegovic to settle things peacefully, "But it is madness to think that all this can resolved in a peaceful manner." Maybe the trouble is that "all this" is a local struggle between frenzied tribes who do not know what they are fighting for.

Which brings us naturally to the German strikes. The attitude of the press seemed to harden last week. Writing of the piles of rubbish, Bernhard Bloium, also in *Die Welt*, said: "The strike stinks in the truest sense of the word, and ever more those struck against, the citizens of this land, are in a stinking rage over this half-witted strike for a few tenths of one per cent . . ."

The *Süddeutsche Zeitung* compared this strike with that of 18 years ago, but did not share the sense of public "rage": "The difference between now and then is that today the public coffers are empty. . .That means that citizens will be hit twice by the current strike . . . the one hand there is the collapse of public services which, so far, has been taken lightly, in an almost sporting manner. But also the citizens as taxpayers will have to pay the costs."

This statement of the obvious appears because it is not obvious in Germany. So once again, those on the spot often find the affair less dramatic than observers from afar who are thrilled to bits by the German strikes. As the *Süddeutsche* unsportingly points out, there is as yet no chaos in Germany.

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Tuesday was an interesting day in the Moscow press. *Pravda* celebrated its 80th anniversary by making one of its occasional appearances in a special four page birthday issue. It described the occasion as a "joyous red letter day." And the paper of Moscow city council, *Kuranty*, wrote about the link between the Los Angeles riots and Russia which lately, in the US, "has become a major source of irritation. This is probably linked with the recent visit of the deputy prime minister Yegor Gaidar to the USA and the endless debates on the $24bn aid to be offered to Moscow. . . The 'not guilty' [Rodney King verdict] seemed to be the last straw for the American underclass . . ."

■ *James Morgan is economics correspondent of the BBC World Service*

Voice of protest: members of the Mothers of the Plaza de Mayo gather in Buenos Aires

Glyn Genin

# Mothers who mourn their lost innocents

***John Barham** reports on Argentina's 'disappeared' children*

PROMPTLY AT 3.30 every Thursday afternoon in Buenos Aires, a group of ageing women don white headscarves and begin walking, as they have every week since 1977, anti-clockwise around the monument to Argentina's independence in the Plaza in front of the Casa Rosada presidential palace.

The military regime responsible for the "disappearance" of up to 30,000 people may have fallen a decade ago, but the women – known around the world as the Mothers of the Plaza de Mayo – still gather every week to demand the truth about their sons, daughters or husbands.

Thursday April 30 was the 15th anniversary of the foundation of the Mothers of the Plaza de Mayo. Although the Mothers' courage and determination has made them internationally famous, they still have little to celebrate.

They have only been able to account for 9,000 out of 30,000 believed to have been "disappeared" – that chilling euphemism for execution – under the 1976-83 military regime. The guilty remain unpunished: three army mutinies forced the government to halt prosecutions, so only 39 senior officers were ever brought to justice. Carlos Menem pardoned them all after becoming president in 1989.

And perhaps worst of all, the Mothers are becoming irrelevant.

They came together by chance in 1977 after a few women had tried to petition the junta for information about the missing. They agreed to meet every week until the disappeared reappeared alive – an act of outstanding courage that cost three Mothers their lives. To circumvent bans on demonstrations, they strolled around the Plaza wearing headscarves embroidered with the names of their missing relatives and the motto "Truth and Justice".

Even today they have not given up. Hebe de Bonafini, the group's stout and energetic founder who lost two sons and a daughter-in-law, says: "I do not look for them any more. We are reminding everyone every day of things they want to forget. We are doing this for the young generation, so that these events are never repeated."

But at the Thursday gatherings, most of the people who stop to watch are passers-by or tourists. Only a few are dedicated supporters who walk with them around the independence monument. Fewer still are under 40. The Mothers have blurred into the political landscape. They are usually ignored, except on special occasions – such as last month – or when one of them gets into trouble with the authorities.

They hate Menem for freeing the guilty soldiers in the name of national reconciliation. He loathes the Mothers in equal measure, never losing an opportunity to attack them: the government is prosecuting de Bonafini for insulting the presidency by calling Menem "trash". The prosecution demands a five month jail sentence.

The Mothers are still closely watched by the security services and claim, probably correctly, that their phones are tapped. Their office was burgled four times last year – unusual for a relatively crime-free city like Buenos Aires.

Many Argentines agree with Menem and want to put memories of the "years of lead" of the 1970s behind them and look instead to the future: the economy is booming, and the government promises that sooner or later Argentina will become a respected member of the first world of rich countries.

However, as the Mothers' literature points out, their 15-year battle has conclusively proved the "hypocrisy of the institutions, the perversion of the system, the prostitution of officials." Argentina still owes them truth and justice.

They will only agree to memorials or reparations when all the 30,000 have been identified or accounted for. That will probably never happen. Yet the Mothers can draw grim satisfaction from the public's reaction to rare appearances by stalwarts of the military regime. de Bonafini says that when Ramón Camps, once the dreaded Buenos Aires police chief, entered a café recently, he was refused service and clients began leaving.

The Mothers' marginalisation is partly their own fault. They are riven by internal bickering and have split in two factions. One is a moderate, broad-based group. The other is stridently left wing, attacking Menem as much for his conservative economic policies as for having pardoned convicted torturers and murderers.

They still remain active in human rights work. Although democracy was restored ten years ago, Argentina's police retain a fearsome reputation. Beatings and torture are common, and summary execution of suspected criminals is on the rise. Now, as in the 1970s, the courts rarely give redress.

Perhaps the most remarkable part of their work has been the effort to track down and recover children born in captivity and given to foster parents after their mothers were executed. In a few cases, babies were stolen and their mothers released. Seven infants are known to have been murdered.

A sister organisation, the Grandmothers of the Plaza de Mayo, is dedicated to finding the grandchildren they have never seen. They have located 50 children, half of whom now live with grandparents or relatives. A further 18 remain with their adoptive families after it was established that the foster parents had acted in good faith and were not involved in the death of the child's parents. Five cases remain in the courts.

The Grandmothers have proof that 213 children were kidnapped, which leaves 163 still missing. However, they suspect that far more, probably over 300, were taken. Miraculously, many of those recovered have grown into well-balanced teenagers who have come to terms with their traumatic past.

As the Grandmothers themselves say, they are literally working against the clock. They are storing blood samples that can be used to establish the true identities of their missing grandchildren through sophisticated biogenetic testing long after they have died.

Motoring / **Stuart Marshall**

# The Metro's transplant

TWO NEW versions of Rover Group's Metro – an automatic and a diesel – went on sale this week. They are so good that it really is high time the car was given a name properly reflecting its status.

Eleven years ago the Austin Mini-Metro was launched as an intended successor to the already 21-year-old Mini. It was quite successful, not least because it was the obvious car for Mini owners to trade-up to.

But there were quality and reliability problems. The power train – the Mini's growly pushrod engine with a 4-speed gearbox buried in its sump – was past pensionable age. Gradually, people who might otherwise have bought Metros went in for more up-to-date Ford Fiestas and Nissan Micras, Vauxhall Novas and VW Polos instead.

Two years ago everything changed. The Metro had a heart and lung transplant. Out went the geriatric engine and four-speed box. In came Rover Group's outstandingly efficient K-Series overhead camshaft engine; a new Peugeot-designed but Rover-made four or five-speed gearbox; and a new Hydragas suspension. It was virtually a new car, even though it still looked much the same as the old one. And build quality had improved beyond recognition.

From trailing the supermini field, Metro had found its second wind and was up near the front. Two years on, it is still there, which brings me to its name. Why not recognise its role as starter model for the Rover marque and badge it as a Rover 100?

It is already called that on mainland Europe, where they think of a Metro as an underground train. Giving it the title of Rover 100 in Britain would lay the Austin ghost and be an honour long overdue.

The five-door Metro 1.4S automatic with an exhaust catalyser which I tried last month was the best small two-pedal car on the market. Its Volvo-developed continuously variable transmission (CVT) is much simpler than a conventional automatic.

I found it quick off the mark and very lively indeed when overtaking. It romped up steep hills and restarted easily on a 1-in-4 gradient. Finish inside and out was good, the whole car felt taut, the seats were soft yet supportive and the ride by far the best in the Metro's size and price class.

It may not be important to those who will buy it as an easy-to-drive runabout, but it handles beautifully on corners and has all the roadholding one can safely use. The steering is very light on the move and not objectionably heavy when parking. Even so, I have to admit there is nothing quite like power assistance, which is not available on the Metro, for truly effortless parking and low speed manoeuvring.

Early cars with CVT were odd to drive. When accelerating from a standstill, their engines raced up to high revolutions and the car's speed rose slowly in response. But the Metro behaves more like a car with a super-smooth conventional automatic in which gear changes are undetectable. (The CVT has no gears at all).

It is very quiet mechanically. At a motorway cruising rate the loudest noise was the swish of tyres and a fair bit of wind roar from the sunroof.

The CVT is available in seven Metro models from the entry level 1.4L to the sporty GTa at list prices ranging from £9,197 to £12,418. All have the same performance – a 100 mph (161 kph) maximum and will reach 60 mph (96 kph) from a standstill in just over 11 seconds. Fuel consumption should be around 38 mpg (7.43 l/100 km) provided you are not leaden-footed or make only very short journeys.

The new Metro diesel is just as impressive. Its 1.4 litre engine, a PSA Group product, is used in the Citroën AX and will soon appear in the Peugeot 106. Like the two-pedal version, the Metro diesel is also best in class.

Inevitably, it is throbby at start up and it chuckles loudly when idling. But on a motorway the diesel Metro is quiet enough to be taken for a petrol engined car.

Even when accelerating – and its pick up in third and fourth gears in the important 30-60 mph (48-96 kmh) range is positively vigorous – it sounds subdued.

The small amount of extra weight up front has no effect on the handling or ride comfort. It steers easily, too, on the move though inching into a parking slot is just that much more of an effort.

The Metro diesel comes as a three or five door in two trim levels with a five-speed gearbox.

Prices start at £8,509. An economy-minded owner will have no difficulty in averaging over 60 mpg (4.7 l/100 km).

The latest Rover Metro. A class leader

FOOD AND DRINK

# Montrachet's cosmic dust

### Jancis Robinson meets a new female force in the world of wine

FOR THE organic wine movement Anne-Claude Leflaive must be the best thing to have happened so far. Or perhaps the second best thing after this year's saga of illegal chemical traces in various Italian wines.

Organic, ecologically-conscious vine cultivation has been increasing in recent years, but mainly on the fringes of the wine world. Anne-Claude Leflaive, new co-manager of the world-famous Domaine Leflaive in Puligny-Montrachet, is so far the only world-famous wine producer in Bordeaux or Burgundy publicly to embrace what to many seem self-evident principles of planet protection.

Her new system for Leflaive's enviable spread of top quality vineyards is not just any old organic one, but the Steiner-inspired *biodynamie*, which integrates wholly natural treatments with the movements of the cosmos.

A warm, frank woman of 35, she is the eldest child of the courtly Vincent who ran the Domaine Leflaive until serious illness in 1989 took him away from the day-to-day decisions he shared with his nephew Olivier (who also runs the separate wine merchant business Olivier Leflaive Frères).

Burgundian inheritance laws are famously complicated; Anne-Claude gives the impression that the US presidential race is relatively clean-cut compared to the question of Vincent's succession. But in June 1990 she finally managed to convince her family, as well as herself, that this was the job she had been seeking all her life.

Now she has managed to solve one of the potential problems (by living near Nuits-St-Georges rather than Dijon where her engineer-husband works) even if she has substituted another (her third child is expected in August).

She had for years "done the vintage" at the Domaine, and even spent the freezing winter of 1989 in the vineyards there immersing herself in the all-important soil, as well as forging links with the vineyard staff that were to stand her in good stead when she came to apply her new methods. "I think I am very tied to this village," she admits with proud resignation. Even when she took a sabbatical sailing trip round the Caribbean with her husband and children, she claims, "all the time I was thinking of the vines".

Her rapport with the Domaine's dedicated and reserved winemaker Pierre Morey, and with Olivier, mean that she can spend a high proportion of her four days a week in those vineyards – to which has just been added the final piece in Leflaive's jigsaw puzzle of *grands crus*, an extremely expensive pocket handkerchief of the most famous white burgundy vineyard of all, about a fifth of an acre, or £600,000 worth, of fully mature vines in Le Montrachet itself.

"If only Leflaive had some Montrachet," has long been a refrain of the world's wine enthusiasts, eager to see the Domaine's incomparably elegant style of winemaking applied to the greatest vineyard of all. There will not be much to show – hardly 30 cases of 1991, picked by Anne-Claude and Pierre Morey themselves last October – but even in a recession they can presumably expect some help with the interest payments when the wine is finally offered for sale or, more likely, allocated, at around £200 a bottle.

I asked how Vincent, who still occupies his vast desk in the Domaine's handsome first floor office, had reacted to his daughter's conversion to cow dung, camomile, nettles and the lunar cycle and was surprised to hear "He is a hundred times more convinced than I am. I always have a image of my father sitting outside after dinner looking up at the stars. I think he understands their language."

For Anne-Claude the revelation came at a lecture given by the appropriately named Claude Bourguignon, warning that the soil of Burgundy had become so worn out by over-application of fertilisers, pesticides and fungicides that it was effectively nearly dead. Since then she has organised a conference for fellow Burgundian producers, as well as a pilgrimage to see organic vineyards such as Huet's in Vouvray.

She is convinced it was the rugged rationality of former maths teacher Noel Pinguet of Huet that convinced so many of her neighbours that the principles were sound. They are yet to put them into practice but some, such as Christophe Roumier of Domaine Georges Roumier and Pascal Marchand at Clos des Epeneaux are moving in that direction.

Certainly, there is many a Burgundian peasant who still bottles his wine according the moon and the wind, so the region should be more biodynamically receptive than, say, Bordeaux where fewer decision-makers actually get their hands dirty.

It is far too early to be sure of the results of the Leflaive experiment on a selected two and a half acres, although Anne-Claude notes that the all-important yield is reduced, the vine leaves and soil already look quite different and she thinks she can detect more direct flavours in the fruit.

Some Leflaive fans may worry than the famous elegance could be compromised by this new regime. But, as Simon Loftus points out in his fascinating new book *Puligny-Montrachet* (£19.99 Ebury Press) that evolution is inevitable and that we should rejoice in the "one essential continuum in the history of Domaine Leflaive, the passion for quality."

Anne-Claude's medium-term ambition is certainly appropriate to a continuum – to establish what is literally a co-operative compost heap in Puligny – and she describes it with real animation: "Like in the Middle Ages when they recycled everything. It was fantastic in the Middle Ages, you know, even for women. I think I should have lived in the Middle Ages."

■ *Leflaive's white burgundies can be bought, at £20 (and up) a bottle, from merchants such as Adnams of Southwold, John Armit of London W11, Corney & Barrow of EC1 and Lay & Wheeler of Colchester.*

# The Rhône stars shine

### Nicholas Lander visits some of France's most serious restaurants

I HAVE never forgotten my mother's account of a trip she made down the Rhône in the late 1940s.

On the way to the south of France the gastronomic highlight was to be dinner *chez* Pointe, at Le Pyramide in Vienne, then the Rhône's finest restaurant. The diners failed to allow for the heat, the dust, or the stray animals on poor French roads, and they finally arrived at 11.30pm – too exhausted even for an omelette, which was the only item on the menu at that hour.

Today's travellers along the Rhône face no such problems. The region is served by the TGV and autoroutes. German and Swiss diners are almost as prevalent as locals, and any Parisian could easily be *chez* Pic or Troisgros in time for lunch after a none-too-early start. There is no shortage of good places to visit, and a wide variety of prices.

Les Cèdres in Granges-les-Beaumont (75.71.50.67) boasts Jacques Bertrand – at 24 years old the youngest Michelin-starred chef in France. Set price menus here run from FFr140-FFr300. Mondragon has La Beaugravière (90.40.82.54), a restaurant with a superlative wine list. Guy Jullien, its chef, makes a speciality of truffles at relatively reasonable prices.

Even the FFr125 menu at the Chalet de la Boule d'Or (77.26.20.68), in the small town of Feurs (population 8,000), turned into a five-course affair, with a well-prepared main course of roast fillet of salmon and a wonderful cheeseboard.

There is a plethora of good restaurants in the Rhône valley and its environs – there have been been for years – with many at the top of the culinary tree. Le Pyramide, after a lengthy decline, is enjoying a renaissance under Patrick Henriroux. Pic and Troisgros have held three Michelin stars for almost 30 years.

Neither restaurant is what it was. I do not mean that they are no longer serving the same food – Troisgros, in particular, has been a standard bearer for a modern, lighter style of cooking – it is rather that their physical aspects have changed markedly.

When Pic moved from the countryside to its present location, just before the Second World War, it was to the outskirts of a small town, Valence, which has grown significantly. The restaurant now stands in the suburbs, no more than a mile from the Valence Sud motorway exit.

We ate very well at Pic. As at almost all today's top restaurants, the best value lies in one of the fixed-price menus rather than *à la carte*. One particular dish – points of very fresh asparagus topped with *beurre blanc* and caviar – was simple but stunning.

My most lasting memory of this meal will be of Jacques Pic himself. An extremely sprightly 60-year-old, with a mischievous twinkle in his eye, he was in his chef's whites greeting all his guests at 7.30pm as I walked around the small garden – the pristine kitchen has a large plate glass window overlooking it. He was there, still in his whites, at 11.30pm to say goodnight. When we checked out at 10.15 the following morning he was back in the kitchen.

Jacques now cooks alongside his son, Alain. This is similar to the arrangement at Troisgros, where Pierre presides and his sons, Michel and Claude, dispense. But the transformation over the past 50 years of the simple Troisgros restaurant – opposite Roanne railway station – into today's culinary colossus is even more marked.

Although its population is only 40,000, Roanne is a wealthy city. An armaments factory and a booming textile industry add up to two good incomes for most families; a joint income quickly spent on eating and drinking well. Until recently Roanne boasted five *Meilleurs Ouvriers de France*, the highest qualification a French chef can achieve: two at the Troisgros restaurant, two with their own *pâtisserie* shops, and one *charcutier*.

The textile business brought a weekly influx of commercial travellers who walked out of the station and into the nearest restaurant. Jean-Baptiste Troisgros fed them well, and made them feel at ease by providing a large communal table at which to enjoy the restaurant's food, wine and gossip. Roanne has repaid the debt it owes the family by painting the railway station salmon-pink and green in honour of the Troisgros signature dish, escalope of salmon with sorrel.

> *'At Troisgros I found the service and the food exceptional'*

The family, by dint of talent and hard work, now sits atop a culinary empire. Like any empire, it emits good and bad influences. The ultra-modern design of the restaurant is highly controversial; for me, it demonstrated none of the taste which made my meal enjoyable. Neither did the enormous glass showcase – with everything from jams to whiskies for sale – which confronts you as you enter.

But once seated, I found the service and the food exceptional; in particular, two fish dishes. Half a lobster perfectly grilled with a chive butter was preceded by a mousse of scallops which contained the last of this season's sea-urchins. It arrived at the table in a small blue and white soup dish, glistening white like a snow ball.

After dinner, Michel Troisgros told me that my appreciation of this dish had been surpassed by diners at another table that evening. They had enjoyed this dish so much that they had ordered an extra two servings before the rest of their meal.

■ *Pic: 285 Avenue Hugo, Valence. Tel: 75.44.15.32. Fax: 75.40.96.03. Rooms FFr800, dinner from FFr600 per person.*

■ *Troisgros: Place Gare, Roanne. Tel: 77.71.66.97. Fax: 77.70.39.77. Rooms FFr1,000, dinner from FFr700.*

Cookery/Philippa Davenport

# There is life after paella

YOU MAY be in for a shock – of the pleasurable kind. The myth that Spanish food and drink begins and ends with tourist-trap *gazpacho*, *paella* and *sangria* is about to be exploded once and for all. Maria Jose Sevilla is poised deliciously and passionately to dispel the crude caricature and to open our eyes to the true and infinitely more subtle character of culinary Spain.

In the course of five television programmes and in an accompanying book she takes us on a tour of Galicia, the Basque country and Navarra, Catalonia, Madrid and the Mesetas, and Andalusia.

We cannot talk about *la cocina*, she insists. There is a plurality of cooking styles. Each region has its own local traditions, born of the terrain and the seas that bound it, shaped by Greek, Roman, Moorish and other influences mingling with the indigenous culture – and the evolution goes on today.

I have travelled with Maria Jose Sevilla in Spain and witnessed first hand her passion for the cooking of her country. She has an inquiring mind and extensive knowledge of wines as well as of local ingredients and cooking. She lights up when talk turns to pork and beans or Basque fishermen's stews, and she welcomes the chance to roll up her sleeves and start mixing garlic and spices into freshly minced pork to make chorizo.

If her television programmes are as inspiring, they will introduce the viewer to the producers of a lovely array of hams, cheeses, olive oils and wines, many of which are almost unknown in the UK. They will follow Sevilla into markets bustling with spice stalls, tripe stalls, dazzling displays of fresh fish, and a great deal more. And they will feature this ambassadress for the good food and drink of regional Spain, aproned and wooden-spooned, aiding and abetting her compatriot chefs and home cooks as they prepare dishes for our delectation. Here, as an appetiser, are three recipes from the book.

**CHICKEN LIVER PROFITEROLES**
*(serves 6)*

Maria Jose Sevilla makes these unusual profiteroles to float in a rich meaty caldo made with chicken, a Serrano ham bone and oxtail. They would also be good to garnish the highly flavoured pure chicken broth I wrote about recently.

2 tablespoons olive oil; 4 oz plain flour; 2 eggs, beaten plus 1 egg yolk; 9 oz chicken livers; 4 oz pine kernels.

Put the oil in a pan with 8 fl oz water, some salt and pepper. Bring to the boil. Away from the heat tip in the flour. Beat well until the mixture forms a ball which comes away cleanly from the sides of the pan.

Put the dough into a bowl and work in the two eggs. Spoon or pipe the mixture into walnut size balls, and space them out on a greased baking sheet. Bake at 350°F (180°C) gas mark 4 for 15 minutes until puffed up and golden brown.

Cut a slit in the base of each profiterole and set them aside to cool slightly while you blend the chicken livers, egg yolk and pine kernels in a food processor until creamy.

Pipe or spoon the filling into the profiteroles and drop them into a pan of piping-hot soup. Simmer for 2 minutes. The filling will cook in the hot soup. Serve immediately.

**ESCALIVADA**
*(serves 4)*

This is a very traditional dish from Catalonia. The instructions given here are for baking it in the oven, but Sevilla says if you can make escalivada griddled over charcoal, so much the better.

1 lb small aubergines; 2 red peppers; 2 Spanish onions; 2 potatoes; 3 tomatoes; 4 tablespoons extra virgin olive oil; 2 tablespoons chopped parsley.

Rub all the vegetables with some olive oil. Place the first four sorts on a baking tray and bake for 45 minutes at 350°F (180°C) gas mark 4. Add the tomatoes and bake for a further 15 minutes or so until all the vegetables are cooked. You may need to vary the cooking times depending on the size of the vegetables.

Peel the cooked vegetables with your fingers. De-seed the peppers and tomatoes. Tear the aubergines and peppers into thin strips, the tomatoes into pieces, and slice the potatoes and onions.

Arrange the vegetables on a serving dish and season with salt and pepper. Pour the remaining oil over the vegetables, sprinkle with parsley and serve warm or cold.

**MERLUZA EN SALSA VERDE**
*(serves 4)*

Sevilla describes this as one of the pillars of Basque gastronomy. She advises sprinkling the fish with a little sea salt and resting it in the fridge for a couple of hours before cooking, and warns against allowing the oil to get too hot – the garlic should stew, not fry. She tells me that the recipe is demonstrated on television. Don't miss it: the way the gelatin seeps from the fish as it cooks and mingles with the oil to make the sauce is intriguing.

4 x 5 oz hake steaks; 3½ fl oz olive oil; 3 garlic cloves, peeled and sliced; 2 fl oz dry white wine; ¾ fl oz fish stock or water; 4 parsley sprigs, finely chopped; 6-8 clams, scrubbed (optional); a few green asparagus stalks, blanched (optional).

Put a flameproof earthenware *cazuela* over an indirect heat. Pour in the oil. When it is warm add the garlic. Cook until light golden, then strain the oil into a container and reserve the garlic separately.

When the oil has cooled slightly return half of it to the *cazuela* and set over low heat. Add the fish, then take the *cazuela* off the heat.

Hold the pot with both hands and shake constantly in a circular movement. Add the rest of the oil little by little and shake until a thick creamy white sauce is achieved. Add the garlic and carry on shaking the pot.

Return the pan to the heat, add the wine, stock or water and parsley and cook for a couple of minutes. Then add the clams and asparagus and cook for a further minute. Discard any clams that remain closed, and serve.

■ *Spain On A Plate* by Maria Jose Sevilla, is published by BBC Books at £14.95. The five-part television series of the same name begins on BBC 2 on Friday May 15.

TRAVEL

# Toasting the dead at the end of the earth

*Nicholas Woodsworth finds a warm welcome among the fearsome Svans of Georgia*

WHEN NINO Ivanishvili was 18 and studying English at the University of Tiblisi, she spent her summer vacation in an isolated village high in the Caucasus mountains. It was here, one sunny afternoon, that she was kidnapped by a young man driven half-mad by the sight of her bathing in a nearby mountain stream.

Without knowing it, throughout the summer Nino had been under the constant observation of the son of one of the peasant families in the village, a young man of few words and strong passions. Normally she would have been safe from such attentions, for the code of social conduct in these mountains is strong. But this is also an area of fierce and enduring blood feuds. The fact that Nino was the guest of a family engaged in a vendetta with the young man's family made her fair game and an object worthy of theft.

Had it not been that Nino's screams were heard by her hosts as the young man threw her on to a horse and galloped into the hills, Nino today might be a mountain man's unwilling wife rather than a professional translator. A mounted chase ensued, rifle fire was exchanged, and the young man eventually relinquished his prize and retreated. Nino subsequently made a rapid return to the city.

"What is the name of the place where this happened?", I asked Nino when she had finished telling me this story one afternoon not long ago. We were sitting in a gloomy restaurant off an exhaust-choked street in Tiblisi. For months the Georgian capital had been an unhappy place, beset by political violence, shortages and insecurity. But up above the level of the street, over the smog and strained faces, I could see a serene blue sky, and imagined it set against snow and high mountain passes.

"It is called Svaneti", she replied. "It is far into the Caucasus, and very difficult to get to. There probably isn't even enough petrol available these days to get there."

Immediately I wanted to go to Svaneti, and persuaded Nino to take me there, petrol or no petrol. Anywhere where such reckless, medieval robbery could still take place must, I reasoned, be well worth a visit.

Svaneti, in the high Caucasus of north-western Georgia, is indeed a remote and inaccessible area, and it took us 14 spine-jarring hours in a Russian-built jeep to get there. We were not the first to go by motorised vehicle – rough, unpaved roads first began replacing mountain trails there in the late 1930s – but Svaneti continues to be four-wheel-drive country, the wildest and least developed region in the trans-Caucasus.

In fact, what little I had been able to pick up about the Svans, a proud and fiercely independent people with a reputation for violence, left me hoping that 50 years of socialism had at least had some calming effect on their character.

Certainly pre-communist Svans had little liking for outsiders. In the late 19th century, I learned, Puta Dadeshkeliani, a feudal lord from the Georgian lowlands, foolishly tried to extend his influence into Svaneti. The Svans invited him to a meeting in front of one of their churches, whereupon the entire congregation helped pull a string attached to the trigger of a rifle, thus giving each present the pleasure of killing the intruder.

Perhaps the Svans had been right to resist foreign intrusion; Soviet socialism has left ugly traces on the face of Georgia. Heading westward over the plains towards the Black Sea, we drove past factories where chimneys belched toxic green smoke on to adjacent vineyards, past concrete housing developments hunkering in the middle of vegetable plots, past state co-operatives where cannibalised tractors and farm machinery littered the fields.

But communism has had a tougher time making marks on one of the world's great mountain ranges. From the sub-tropical plantation town of Zugdidi, near the Black Sea coast, we saw the Caucasus rise with little warning, dark and massive, above citrus groves and long alleys of tea bushes. Half-an-hour later we were into the hills, and had left the world of socialist reconstruction behind.

This is a wild, rough land. The higher we climbed, the more rugged and unfinished-looking the mountains became. 15,000 ft summits left the road in shadow. Boulders the size of houses were strewn through river valleys. Great chunks of fallen mountainside sat battered and raw at the bottom of deep canyons. Wherever wide swathes of pine forest had been knocked down by avalanches, bare rock and torn soil lay exposed. In the Caucasus, it seems as if the work of creation is still in process.

Even the people we passed had a rough, primitive air. Riding stocky Caucasian ponies, their bristly, unshaven faces surmounted by caps of brown felt, the men looked like brigands. Their women, dressed in black woollen skirts, trudged along the roadside bent double under the weight of heavy backpacks. Some of the locals, apparently, had not even discovered the wheel, or at least disdained its use – they were dragging tons of firewood along the muddy road on sleds of heavy wooden runners.

"What are those shrines?", I shouted to Nino as the jeep bucketed round hairpin bends under the direction of Otar, our maniacal Georgian driver. I pointed to a curious roadside construction, something like a telephone box, where inside, on a little shelf, I could see a framed photo, flowers, a bottle and two glasses.

"They mark places where people have been killed in road accidents", Nino shouted back. "When friends or family pass by, they stop and toast the dead with a drink." Judging by the number of shrines and empty bottles piled beside them, crashing cars and toasting the dead are equally popular activities in these mountains.

Upwards through the Svan homeland we drove, until we could drive no further, and stopped at Ushguli. At 7,200 ft it is the highest permanently inhabited village in Europe, and feels like the end of the earth.

The 19th century English traveller Douglas Freshfield described the Svans as "the most savage and dangerous-looking set of people I have ever come across." Entering Svan villages, he encountered inhabitants who, "yelling and jabbering, barred the way, while others brandished swords, daggers and pistols."

But unlike Puta Dadeshkeliani or Douglas Freshfield, we skidded up through the manure-sodden lanes of Ushguli unarmed and without hostile intent. In return, the villagers brandished nothing at us but smiles. In no time at all we were comfortably installed in a kitchen full of the odours of good things cooking, and warming ourselves with the help of a cast-iron stove and glasses of mead made from alpine honey. Our host, Kolia Nijaradze, may have looked like a wild-eyed bandit, but a rough demeanour hid only a gentle cattle farmer.

Perhaps it is their demanding environment that makes the Svans look so tough. Winters in Svaneti last eight months, with temperatures often dipping below -30°C. Snowfalls are extremely heavy. When a Svanetian tells you he is frequently cut off from the outside world, he does not merely mean that the roads are blocked, but that he cannot get out of his front door: Snow is sometimes so deep that the houses of Ushguli disappear entirely.

In times like these, and when avalanches roar down the slopes of the surrounding mountains, Svanetians retreat to their 100-ft watchtowers. Built in the middle ages of granite and slate, the strength of the watchtowers remains something of a mystery. Russian chemical engineers analysing the composition of Svaneti mortar claim egg yolk was an essential ingredient. But Soviet science was never able to explain how the Svans managed to amass enough eggs to build over 60 of these tall towers. Now it never will.

But if the Svans lead a rigorous life in their mountain fastness, their isolation has given them a special attitude to the rare visitors who do happen by. Caucasian medieval tradition has it that guests come from God, and should be treated accordingly. If family feuding ranks high in the Caucasian code of honour, generosity, friendship and hospitality towards strangers ranks even higher. The only real danger a visitor to Svaneti runs is cholesterol over-dose from the food and drink with which he is plied from morning to night.

The sun shone, the birds sang, the snow above us glittered in the thin mountain air. Nino, Otar and I wandered among the cows and goats scattered on the alpine pastures surrounding the village. We climbed watchtowers and visited the church where Puta Dadeshkeliani came to a sticky end. We gorged ourselves on a suckling pig killed in our honour. We listened to stories about bear hunting, mountain trout fishing and killer avalanches. We were toasted in vodka that ran like water. We sang Georgian counterpoint in three-part harmony.

We did, in fact, just about everything that pleased us, with one exception. When Otar and I suggested a swim in the clear mountain stream that ran through the hills not far from the village, Nino, for reasons of her own, declined to join us.

Mountain women — but despite their fearsome reputation, the Svan people are traditionally hospitable to visitors

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PROPERTY

# Town and gown don't mix much

***John Worrell** finds that Cambridge has too many cars and not enough residential roads*

THERE IS a touch of oil and water about Cambridge.

This flat Fenland city, on a quiet tributary of the river Great Ouse, has among its 103,000 residents 14,000 university students, 2,000 polytechnic students and, at any one time, an indeterminate number of transitory foreigners learning English. Its student population is the highest per capita in the UK. Including teaching staff, and the staff to service them, the academic fraternity accounts for nearly a fifth of the city's population. But the academics barely mix with the indigenes.

In the last decade or so, another globule has appeared in the form of new industries drawn in by the university's cerebral power. This section of Cambridge's population is slightly more assimilatory, because its members tend to be there longer-term. But a good number of its higher paid workers drive in each day from elsewhere, thus contributing minimally to the city community and massively to the city traffic.

According to the city planning department, Cambridge now provides 30,000 jobs within the city, and a further 36,000 jobs in the immediate hinterland which includes Cambridge Science Park. That is more than enough employment to support a community twice its size. It also means 30,000 inward daily commuters to the city itself.

The effect on the city's housing market is complex and difficult to quantify. Relatively high wages from an inherently strong local economy, with a largely recession-proof educational element at the heart of it, would seem to be a plus. Cambridge has weathered recession relatively well so far. But it is a two-edged sword for the community as a whole.

At the bottom end, relatively affluent students can usually outbid low earners for private rented accommodation. To the average householder, £50 or £60 per head per week for bed and breakfast from people who are otherwise hardly in the house is preferable to tenants on income support or housing benefit who may be there most of the time.

Last year Cambridge City Council accepted 307 statutorily homeless families. That comes close to 1,000 people; a very significant proportion of the non-academic community, and one which has grown from almost nothing in 10 years. Such families accounted for 75 per cent of council housing allocations in 1991, and their numbers are expected to increase.

The demand for rented accommodation stems not so much from the university (92 per cent of its undergraduates and 30 per cent of its postgraduates live in college residence or in rooms in university-owned houses), but from the more recently expanded polytechnic and language colleges which are less able to house their students.

By the same token, you would suppose that demand in the renting sector would offer an opportunity to hard-pushed mortgagors on the lower and middle rungs of the housing ladder to let out a bedroom or two. There are no reliable figures on how many actually do so, because most people do not inform their lender that they do so – though they are supposed to. Estate agents say that repossessions have increased (the first question from cheerful potential purchasers is often whether any repossessed houses are available); but most agree that Cambridge seem to have avoided the worst effects of the housing downturn.

Cliff Verrill, assistant general manager of the Cambridge building society, confirms this: "There has been a slight increase in arrears, but we do not have a problem. Cambridge as a whole is certainly not as bad in that respect as other parts of the country."

He adds that where problems do occur, his building society is naturally keen to do everything to help borrowers in any way possible. "We do not actively promote the renting ethic, but if borrowers are in trouble, renting is certainly one option they could look at."

Although there was a substantial drop from the peak of 1988, a price survey by the society showed that average city centre prices were holding up reasonably well. At the end of December 1991 they ranged from £65,000 for a small terrace to £102,000 for a modern detached house. While that generally represented a small drop over the preceding year, small terraced houses had actually risen in value, somewhat against the trend elsewhere in East Anglia.

To some extent this may be explained by captive demand in a relatively buoyant city. "City properties are easier to sell than country properties," says Martin Green of Catlings, the house agents. "That has always been the case. And there is always a demand for correctly priced first-time buyers' houses."

But as Ian Purkiss, of estate agent Hockeys, points out: "A healthy letting sector means that there are always small speculators who will try to buy with a view to letting. A house worth £65,000, let to four students, would probably produce about £650 per month, which isn't a bad return."

At the upper end of the market, much of the quality housing in the central area is already owned by the colleges of Cambridge University – constantly in the market for more housing to accommodate their students and staff. Anything of the right quality in the right place with the right planning profile (the city council is not always willing to see large houses divided into small units) is usually snapped up. Most vendors are aware of this specific demand, and properties often sell without reaching the open market.

But supply is limited. For the fact is that beyond the Backs along the river Cam, the colleges, and the ancient streets of the centre, Cambridge is a surprisingly bland city, with rows of Victorian, Edwardian and inter-war property, and a very limited supply of distinctive housing. As Jock Lloyd-Jones of Bidwells puts it: "Cambridge is not blessed with its fair share of prime residential roads. One could perhaps name half a dozen good roads, and after that one is struggling. What has been proved time and time again throughout this last year in Cambridge is that location counts more than anything when it comes to a difficult market."

No one presumes to know where the market will go from here. Economic uncertainty and election prospects are invoked as reasons for not giving a view. What is clear is that the new industrial base which the cerebral power resources have attracted and nurtured is a resilient creature in the face of the present economic malaise.

Despite its share of casualties, it seems to be self-regenerating; it looks set to grow as much as economic conditions and planning considerations will allow. Its demand for housing for its highly paid employees tends not to be directed at the city so much as at Cambridgeshire's outlying villages – hence the commuting problem. Most local feeling is that the further out housing is pushed without curbs on employment, the worse will the traffic problem become.

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It is not surprising that rectories have been so popular. The Church has been selling them hard since the 1960s, but by now it has very few such properties left. If one does come up, give it special attention, even if it looks a mess and the garden is a jungle.

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Do not get upset if negotiations take time. The church is an institution for eternity, which is how it sees its investments and its property. Furthermore, the house could be sold with more restrictions than you expected, although these are hardly likely to impede you. You will almost certainly be forbidden to turn it into a pub, or to make noise during services in the church next door. And you probably will not be allowed to call it the Old Rectory. The usual reason given is that people seeking counsel may come to the wrong house (although only three lots of giggling couples came in the early years to our former rectory - they wanted me to marry them).

In pre-poll tax days, parsonages were re-rated when they went private. Something similar will happen with the council tax. Our rateable value went up eight times, which affected the water bill. If there is a meter, it could pay to negotiate to keep it and be ahead of the crowd when meters become mandatory in a few years.

If you buy glebe land for a pony paddock, beware of a hazard called chancel repair liability. Glebe is land used by the parson to supplement his income, either by letting it or working it himself. Since before the Reformation, the owner of the glebe has had a duty to pay for repairs to the church's chancel. In effect, the parson paid to maintain his holy bit of the church at the east end with the altar.

This arcane liability can pass to any succeeding owner, although it is most unlikely that any parochial church council will invoke it. But because it is a charge on the owner, and not on the land, it will not show up in normal searches.

The Law Commission recommended that the liability be repealed but the lord chancellor's department has still to decide if it will introduce legislation. In the meantime, it might be wise not to raise the matter, as the parson and church council may be unaware of the liability.

If you are worried, though, go to church and see what you might be letting yourself in for.

If the chancel looks in bad shape, suggest your solicitor seeks an indemnity against liability from the diocesan board that will be handling the Church's negotiations.

The good news is the Ecclesiastical Residences Act 1776. It says says that when a rectory moves from Church to private domain, you do not have to pay stamp duty.

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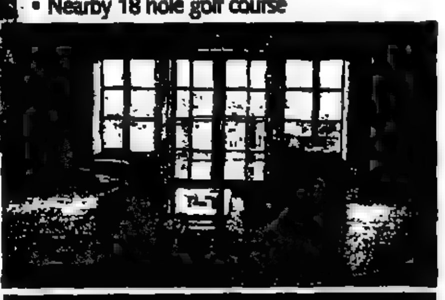

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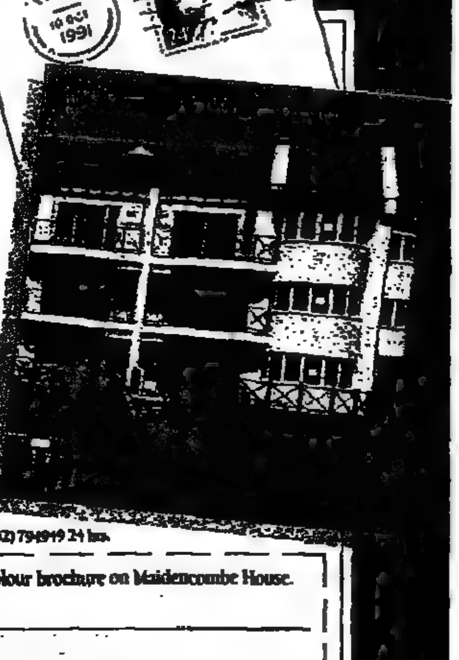

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# Never look back

THE BYWAYS of literature, like those of a city, can lead wanderers to unexpected delights. Elisabeth Henry's book exemplifies this. In equal parts charming and fascinating, it sets out to explore the Orpheus myth, and in the process ranges with marvellous ease across time and the breadth of our culture. We move in the company of Aristotle and Appolonius Rhodius, Virgil and Monteverdi, Milton and Keats; we discuss Plato's views on the soul's immortality, and Harrison's recently staged *Trackers of Oxyrhynchus*. We explore the psychological effects of music; we witness conflicts between

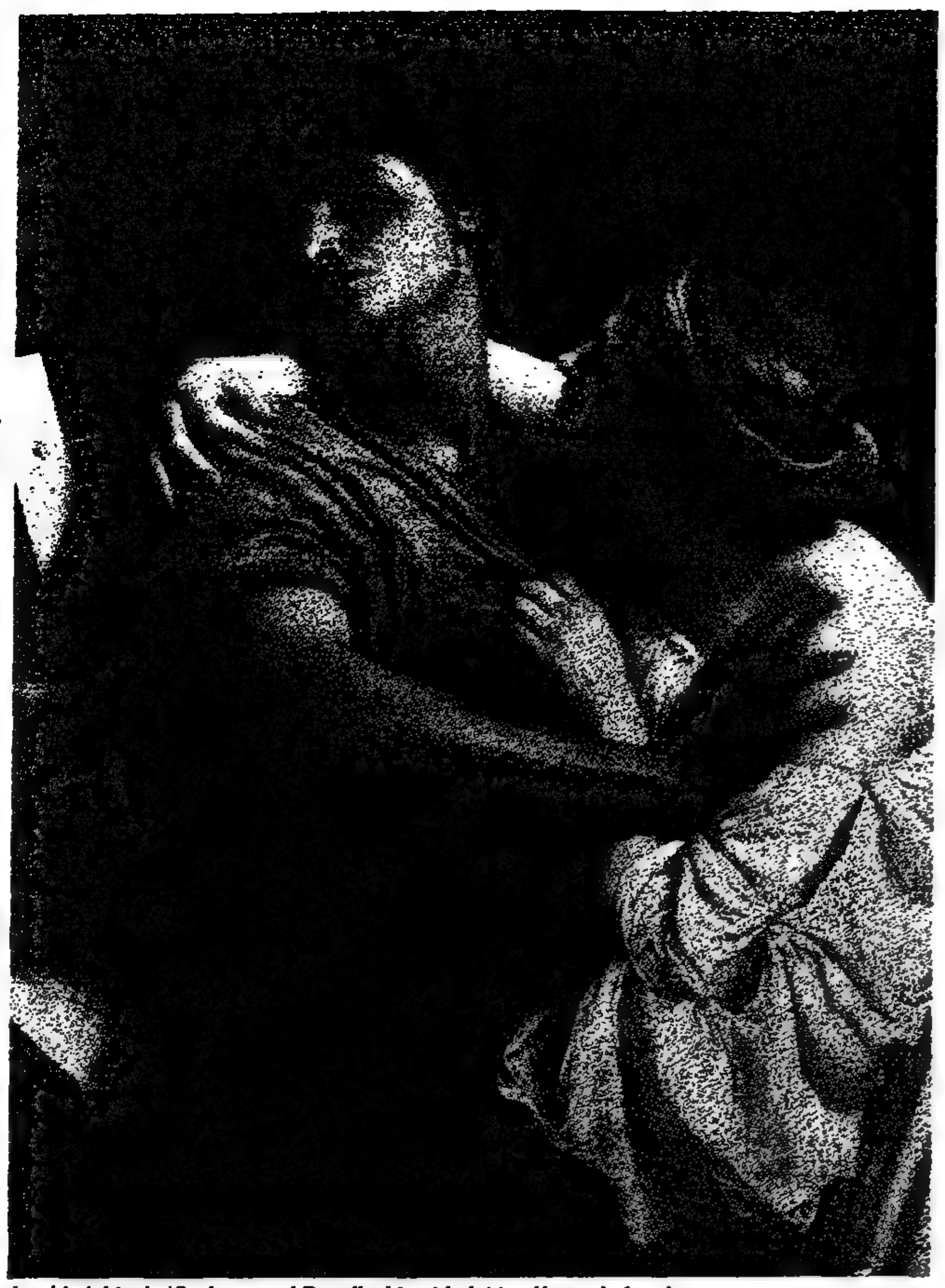
ORPHEUS WITH HIS LUTE
**by Elisabeth Henry**
*Bristol Classical Press (Duckworth) £30, 227 pages*

classicism and romanticism; we ponder sexual love, religion and mysticism. This is a rich mixture, but so lightly confected and elegantly served as to be irresistible.

It is not surprising that a book on Orpheus should range widely. The story touches so many nerves that it is hard to find a single area of human creativity unaffected by it. It is like the note which, when struck, sets all the strings of the orchestra thrilling in response.

At school, reading Virgil's *Georgics*, we learned that the beekeeper Aristaeus pursued Eurydice, who stepped on a venomous serpent as she fled. Aristaeus's bees died, and when he consulted the reluctant and metamorphic seer, Proteus, to find out why, he learned that it was punishment for Eurydice's death and its still more tragic sequel. For Eurydice was Orpheus's betrothed, and when she died he sought her in Hades, employing his potent music to charm its rulers. They agreed to let him take Eurydice back, provided he did not look at her until they attained the light.

But he did look; and lost her again, this time for ever. He wandered the country in an agony of grief, playing music



Lord Leighton's 'Orpheus and Eurydice' is at Leighton House in London.

*of indescribable beauty and* sorrow. His music tamed savage beasts, who came and mourned at his side; and *clifftops* and huge oaks uprooted themselves to follow him. But female votaries of Dionysus, drunk and inflamed in their revels, angry that he refused their invitations to sport with them, one night attacked him and tore him to pieces. Virgil says that as his head floated down winding rivers to the coast of Lesbos his deathless tongue cried, "Eurydice, Eurydice!"

Much has been made of Orpheus's fatal backward glance. Leighton's painting of the moment, with Eurydice imploring Orpheus's gaze, inspired the eroticism of Browning's verse: "But give them me, the mouth, the eyes, the brow!/ Let them once more *absorb me! One look now!* Will wrap me round for ever." In Monteverdi's opera, as in Ovid, it is not Eurydice's importunity but Orpheus's anxiety that prompts his disobedience to the gods; he turns because he is afraid she has weakened or fallen.

But the backward glance has been emphasised chiefly by Romanticism, shallower than its rival tradition. It is notable that Eusebius, writing in the fourth century, depicts Orpheus as subduing the powers of hell with his mastery; but Poliziano, in 15th-century troubadour style, has him begging Persephone to "pity a poor lover."

Eusebius invokes a majestic Orphic theme: the power of music, which can heal and charm, reveal truths, put man in communion with the divine. Orpheus is the type of many spell-binding musicians, like the Pied Piper and Mozart's magic flautist. He is kin to David the psalmist; it says in 1 Samuel, "when the evil spirit from God was upon Saul, David took an harp, and played with his hand: so Saul was refreshed, and was well, and the evil spirit departed." Shamans also used music to control spirits and visit the Beyond. This illustrates music's connection with religion and inspiration.

Orpheus's "katabasis", his journey to and from the underworld, is the paradigm for many tales of heroes, gods and poets, from Odysseus and Heracles to Christ and Dante. But Orpheus's journey is truly central: for it underlies the belief in immortality crucial to Plato's philosophy, and which, by way of Neoplatonism, entered Christianity. For centuries Christians had no belief in a soul but anticipated bodily resurrection on earth at the Second Coming. With this delayed *sine die*, Christianity imported Orphic concepts of an immortal soul and judgment in the afterlife.

These and a dozen other themes of extraordinary fascination for anyone interested in literature, psychoanalysis, poetry, philosophy and religion crowd Henry's pages most readably. After each chapter she asks, what is a poet? Here is my only reservation: her poet is too Dionysian for me, too frenzied and uncontrolled.

It is odd that she should infer this from the Orpheus story; for he, said by some to be Apollo's son, was destroyed by Apollo's enemy; the classic overthrown by the romantic. Yet when Orpheus, priest of poets, went through hell, he seems to me to have kept, on the whole, a classically very clear head.

***A.C. Grayling***

# Behind the Shropshire Lad

## *Anthony Curtis takes a look at the life and work of A.E. Housman*

THE TIDE of taste ran strongly in Housman's favour during his lifetime – copies of *A Shropshire Lad* were in great demand during the First World War – and then it turned against him when he died in 1936. Cyril Connolly, writing then in the *New Statesman and Nation*, declared:

"The truth is that many of Housman's poems are of a triteness of technique equalled only by the banality of thought; others are slovenly, and a quantity are derivative – not from the classics, but from Heine, or from popular trends – imperialism, place-nostalgia, games, beer – common to the poetry of his time. *A Shropshire Lad* includes with some poems that are unworthy of Kipling others that are unworthy of Belloc, without the excuse of over-production through economic necessity which those writers might have urged."

Further stick came from within Housman's own citadel of Cambridge, where attacks on him were launched in *Scrutiny*. F.R. Leavis and I.A. Richards were enraged by Housman's Leslie Stephen Lecture *The Name and Nature of Poetry*, delivered in 1933, with its denigration of the Metaphysicals and most of the English 18th century poets; and in which Housman propounded his famous razor test for poetry: "Poetry indeed seems to me more physical than intellectual ... Experience has taught me, when I am shaving of a morning, to keep watch over my thoughts because, if a line of poetry strays into my memory, my skin bristles so that the razor ceases to act. This particular symptom is accompanied by a shiver down the spine ..."

T.S. Eliot had, however, some good words to say for the lecture, and the new young 1930s "Macspaunday" poets (Roy Campbell's useful abbreviation), especially Stephen Spender, did admire Housman; or seemed to until Auden put the boot into Housman in his cruel sonnet about him. "Deliberately he chose the dry-as-dust,/ Kept tears like dirty postcards in a drawer ..."

But since the Second World War the tide has turned once more and, as these two books under review testify, Housman is riding high again. His work has been kept alive by new and ever more complete editions – a quantity of his poetry remained unpublished at his death – and by biographical revelations.

As is now well-known, Housman was homosexual but powerless to do much about it. The great love of his life was a fellow undergraduate Moses Jackson, who appears to have been completely indifferent to him sexually and who got married sometime after Oxford without telling Housman. His career was spent largely in India so that Housman rarely saw him,

HOUSMAN'S POEMS
**by John Bayley**
*Oxford £25, 202 pages*

A E HOUSMAN
**by Keith Jebb**
*Seren Books (Bridgend, Mid-Glamorgan) £11.95*

making memories of him all the more powerful. As a Cambridge Professor of Latin and a Fellow of Trinity, Housman (after ten years as a dogsbody in the Patent Office) was by then largely restricted for his social life to the donnish world of High Table; in term time at any rate. As an enthusiastic pioneer air passenger Housman did fly off in the vacations to places like Paris and Venice, where he seems to have enjoyed a special relationship with his gondolier. Some cryptic notes in his hand on a piece of card that has survived suggest he may have gone in for rented male companions in the French capital.

All this stands today as the sub-text to the poems about red-coats, bugles, reveille, athletes, lost love, lads, lasses, and public hangings, those poignant lyric poems full of memorable lines like "An air that kills ...", highly individual versions of English pastoral. Christopher Ricks did a useful job a few years ago editing the poems. His Penguin, *A.E. Housman Collected Poems and Selected Prose* (1988) gives to the ordinary reader all he needs of Housman's work in one convenient inexpensive volume. A complete edition, based on fresh scrutiny of the heavily corrected manuscripts by Archie Burnett, seems to be on the way.

Both Bayley and Jebb compare Housman to Larkin. There are striking similarities between the two bachelor poets, most obviously in their insistence on several degrees of separation between the private secret self manifest in the poetry, and the public existence and activity of the professional man: the professor of Latin literature and textual scholar in the one instance; the university librarian in the other. Both happened when they were young men to be students at the same Oxford college, St John's, and both as old men left their unpublished papers in a mess for their executors to tidy up.

Bayley claims that there is an even greater kinship between them than merely one of external stance and of shared attitudes (pessimism about sexual happiness, acute consciousness of deprivation, religious scepticism); he argues that there is a kinship in the way their poetry works in the mind of the reader.

"Meeting Housman or Larkin in their poems [he writes] can be like experiencing a change of consciousness. Poetry like theirs gives us an abrupt feeling of what it is like to be someone else, putting us in touch with them more immediately, and as vividly, as might in other circumstances be the case with a novelist and his characters".

The comparison with Larkin is but one of many with the work of other poets made by Bayley in his attempt to define Housman's deceptively simple directness: Emily Dickinson, George Darley, Sturge Moore, John Davidson, Walter de la Mare, Warren de Tabley, Paul Celan (the modern German poet of the Holocaust, author of *Death Fugue*) are some of the surprising names he throws into the ring alongside the expected ones, Shakespeare, Daniel, Collins, Browning, Yeats. The book, though short, is taxing and illuminating; it may be read not merely as a reappraisal of Housman but as a meditation on the nature of poetry by a leading member of the Oxford English school.

In seeing Housman in such a wide, international perspective Bayley tends to neglect his local habitations and his homosexual nature, no doubt believing these have been gone into more than enough already. He does not, for instance, comment on the one poem Housman wrote about Oscar Wilde (without actually naming him): "Oh who is that young sinner with handcuffs on his wrists?" By contrast Keith Jebb, whose first book this is, closely examines this poem and the possible impact on Housman of the Wilde trials – they came on at around the same time *A Shropshire Lad* appeared. Jebb, who is perceptive about Housman the man as well as the poet, was born in Shropshire. His short book, which starts splendidly and then seems slightly to run out of steam, is part of a series, *Border Lines*, dealing with writers and artists whose work and lives stem from the Border country between England and Wales.

Housman was not a Salopian born and bred. He grew up in neighbouring Worcestershire in a large family headed by a weak father but managed by a caring mother whom he loved dearly, and, after her death, equally well by a friendly step-mother. Ludlow and Shropshire at the period of the Boer War were for him legendary inspirational romantic regions, not areas he knew at all well at first hand. Nonetheless, like Shakespeare and Venice, he brings them to life with a sense of plausibly realised actuality. The relevance of his poetry, several wars and holocausts later, is something made abundantly clear by both these books. Connolly's final twist of the knife was his remark that Housman "will live as long as the BBC"; but it begins to look as if Housman will be the more enduring of the two.

# Sweet desolation of freedom

TONI MORRISON'S fifth novel, *Beloved*, which won the Pulitzer Prize in 1988, explored the immediate psychological aftermath of slavery in the US during the post-Civil War Reconstruction era. Conceived as a sequel, *Jazz* is set in Harlem in 1926 among the burgeoning community of African-Americans who fled north after emancipation to escape landlessness and lynchings.

While the novel's unnamed narrator hymns "the City" in confiding, colloquial tones, relaying snatches of melody from street-corner musicians and ubiquitous Victrolas, the Jazz Age and the Harlem Renaissance are only obliquely evoked. Jazz is present principally as a motif, signalling a new freedom and sensuality alongside an overwhelming compulsion to forget. "Here comes the new. Look out. There goes the sad stuff. The bad stuff ... Forget that. History is over, you all, and everything's ahead at last."

The vision proves illusory for Joe Trace, a door-to-door beauty produce salesman and his wife Violet, who arrived from Virginia 20 years earlier on a "dancing train". The novel begins as Joe has shot dead his young lover, Dorcas, whose face Violet has attempted to slash with a knife at the funeral. It is the complex motivations behind this melodrama that unfold through the fragmented narrative, with its shifting viewpoints and its flashbacks to the south, of families dispossessed, houses burned, men hanged and mothers absent or suicidal.

Through Morrison's fictional "re-remembering" of forgotten black histories she suggests the delusory nature of free action where the determining demons of the past have been neither exhumed nor exorcised. The music that expresses freedom's "sweet desolation" also contains a "complicated anger", disguised as "flourish and roaring seduction", that can trigger self-destruction.

Yet, in a narrative twist, *Jazz* reaffirms the possibility of freedom, of transcending rather than succumbing to the past as "an abused record with no choice but to repeat itself at the crack". In place of the sensational events initially promised the reader, Joe and Violet opt for a healing, even cloying, reconciliation, for "figuring things out". The storyteller confesses both her power and her inadequacy, her characters having been "busy being original, complicated, changeable, human ... putting their lives together in ways I never dreamed of".

While *Jazz* displays Morrison's supreme ability to illuminate social process and the sweep of history through character, those seeking the emotional authority of *Beloved* or the visionary intensity of *The Bluest Eye*, *Sula* or *Song of Solomon*, are likely to be disappointed in *Jazz*'s preoccupation with its own construction; the self-consciousness of the telling has perhaps been at the expense of the tale

JAZZ
**by Toni Morrison**
*Chatto & Windus £14.99, 229 pages*

PLAYING IN THE DARK
**by Toni Morrison**
*Harvard Univ.Press £11.95, 91 pages*

Morrison, a revered chronicler of the African-American experience, in a collection of essays on the work of white American writers, challenges "American Africanism": the "disabling virus" of myths, stereotypes and misconceptions of African peoples, to which her own fiction is a powerful antidote. In *Playing in the Dark* she argues that, just as the Enlightenment's concept of freedom was parasitical on the reality of slavery, the rights of man yoked inevitably to the assumption of racial hierarchy, the concerns of a nascent American literature were shaped by the white relationship to a "dark, abiding, signing Africanist presence".

Developed with illustrations from Poe, Twain, Melville, Hemingway and others, Morrison's argument provocatively extends critiques of colonial literature (notably Edward Said's *Orientalism*, or the Nigerian Chinua Achebe's dissection of Conrad) to white American writing in its relation to its own subordinate black population. In doing so, she challenges the "universalist" or "race-free" pretensions of a literature whose habitual resort to shorthand constructions of blackness marks it out as the product of white writers with an assumed white readership.

More crucially, her sombre conclusion that racism "is as healthy as it was during the Enlightenment", its utility as a metaphor having outstripped its ideological purpose in justifying economic exploitation, lays down a challenge to others to share her own project as a writer: to "free-up" the language from the "sinister, lazy, predictable racial codes" that pervade and impoverish it.

***Maya Jaggi***

# Citizens in uniform

THE PROCESSES of deterring or waging war by industrialised democratic states require that those charged with the execution of operations by armed forces have a clearly defined subordination to elected governments. The alternative is military dictatorship or the evolution of a state within a state, of which von Moltke's "Great German General Staff" provides the best-known example.

The authors are right to devote a third of the text to narrating, in considerable but necessary detail, why the period from the late 1880s to the outbreak of war in 1914 was one in which Conservative and Liberal governments, agreed on the necessity for creating a workable defence organisation in the face of increased armaments by prospective enemies, were also united on the necessity to keep the admirals and generals in their place.

British governments during this period did succeed in attaining their objective – thus giving all successors clear constitutional guidelines – but Britain being, in Campbell-Bannerman's apt phrase "a fighting but not a military nation", they failed to grasp that bureaucratic reform, whereby the Admiralty and War Office did establish some semblance of co-operation, was not the same as thinking hard about strategic issues.

The establishment of the Committee of Imperial Defence in 1904 was a step in the right direction, but failed to provide governments and the armed forces with the logical corollary to strategic thought, namely a staff structure which would plan for deterrence or war, on a national, not an individual Service, basis. The price for ensuring that the British sailor or soldier remained merely "a citizen in uniform" was demonstrably one which British democracy had to pay, but the cost of subordinating strategy and the means of implementing it to administrative reform was high.

The authors, having thus cleared the ground, put us further in their debt by tracing

THE CHIEFS: THE STORY OF THE U.K.CHIEFS OF STAFF
**by General Sir William Jackson and Field Marshal Lord Bramall**
*Brassey's £30, 508 pages*

the course of successive changes from 1914 to the present day; a Cabinet Secretariat; the establishment of the Chiefs of Staff Sub Committee of the CID in 1923 – but lacking an effective intelligence and planning element until the 1930s; the evolution of a Ministry of Defence from the second world war onwards; the rather crab-like course pursued by successive Chiefs of Staff since 1945, whereby the Chief of the Defence Staff has gradually become the focus of strategic thought, tri-service planning, and the execution of operations in war, not their delegation to commanders in the theatre.

The authors' commentary and their candidly expressed opinions really come to a sustained critique of a central element in modern British history: adhesion to imperial commitment, aversion from the Continental commitment. The Falklands war in 1982 and the Gulf war in 1991 must be seen as a very late flowering of imperialism, and however much one says that neither conflict has any lessons for the future, and that Britains's primary strategic role must remain in Europe, the authors clearly think otherwise.

There is merit in their arguments that "out of area" crises and conflicts are not only likely but will make demands on Britain's armed forces, but there is a touch of casuistry in the supposition that if Britain had always pursued an imperial (or strictly speaking maritime ) strategy and eschewed the Continental commitment much British blood and treasure might well have been spared. For which the answer would seem to be: two world wars might have been prevented if Britain had honoured the Continental commitment in time. But the Chiefs of Staff were not only "terrified" of such a commitment in the 1930s, whether in relation to France or Russia (the word is that of an official historian, not this reviewer); their predecessors before 1914 were united in hostility to Haldane's concept of a British Expeditionary Force.

The authors, in narrating the Falklands war from the inside, do, in a sense, have the last word. What does emerge from their account is that the "War Cabinet" was notably more belligerent in public than in Downing Street, and that the resolution of the "Chiefs" was certainly needed at critical moments. The Falklands war was not made by the Brass Hats, but the Frocks certainly had cause for gratitude in that they ran it with both skill and imagination. The Chiefs remained citizens in uniform, just.

***Anthony Verrier***

ARTS

# Falstaff grows in stature

***Malcolm Rutherford** reviews Henry IV and other London openings*

ADRIAN Noble's production of *King Henry IV Part 2* has arrived at the Barbican and, like *Part I*, is even better than when it was first performed at Stratford a year ago. The triumph lies not only in the synthesis of the two parts, but in the way that that *Part 2* has elements not touched upon in *Part I*. The most obvious is the move to the countryside. Aside from the battle scenes, *Part I* is mainly about life in and around London. Where the action ranges wider, it is to the outlying areas: Wales and Northumberland. They are full of wild men like Glendower and Hotspur.

*Part 2* moves into the civilised English countryside of Gloucestershire. Instead of warriors it is full of slow-witted lawyers like the Justices, Shallow and Silence; instead of tribal passions inspiring the troops, there are reluctant conscripts like Francis Feeble and Ralph Mouldy. What we see in *Part 2* is the beginning of English nationalism. The next wars will not be the southern English resisting the north, but all the English fighting the French.

The Gloucestershire scenes in Noble's production are outstanding because they show the provincial deference to the capital. To Justice Shallow, Falstaff is not the disreputable, unreliable fellow he seems in London: he is to be looked up to because he has stayed at the centre and been knighted. In Gloucestershire, Robert Stephens's Falstaff looks like a man of authority. He moves about the southern counties recruiting soldiers. He may even drink less than Shallow; at least he holds it better. That is not how he is seen in London.

The performances by David Bradley and Anthony Douse as Shallow and Silence respectively are impeccable, as is that by Christopher Luscombe in the even smaller part of Davy, Shallow's servant. How, you can see Falstaff wondering, is it possible to get such a good valet in a land of yokels?

Other indelible scenes are first the illness, then the death of Julian GLover's Henry IV. As the dying man's memories of a lifetime come back, he recalls that there was less than 10 years between the deposition of Richard II and now his own passing away. In the meantime, a nation has has developed, or so Shakespeare would have us believe.

★

One of the reasons why Ariel Dorfman's *Death and the Maiden* is such a good play is its ambiguity: in the transition from dictatorship to democracy nobody is quite sure who did what under the old regime and how much of the past should be investigated. As a play, *Karate Billy Comes Home* at the Royal Court's Theatre Upstairs, which is where *The Maiden* also began, is not in the same league, but it is broadly the same genre. Just as betrayals ran deep in Pinochet's Chile, in the old East Germany practically everyone spied on everyone else. Too much is known about the recriminations now going on to doubt the basic authenticity of Klaus Pohl's piece, even if the plot is excessively melodramatic.

Billy was a prospective Olympic multi-gold medallist, having already swept the board at the world student games in Bratislava. As such, he was a jewel in the crown of the East German state, but was also being wooed to defect to the US. The East Germans tampered with him medically in order to keep him at home: he spent 13 years in an asylum developing some of the attributes of a monkey man.

When the Berlin Wall came down he was released. Most of the play is about who was responsible for for betraying him. Even the local pastor turns out to have been an informer and Billy's devoted sister was not entirely innocent. The piece contains an extraordinary scene where the sister declares her incestuous love for her brother; it is not unmoving, but of dubious relevance to the plot. In the background is a man from the Deutsche Bank who has come to mop up the remains of the East German economy. He learns that it is helpful to know how the informer system worked under the old regime, for the old habits clearly die hard.

Alastair Muir

Robert Stephens as Falstaff

The play has its flaws, but strikes me as a more interesting work than Howard Brenton's *Berlin Bertie* at the Royal Court's main house. It concentrates on East Germany as it is and avoids spurious comparisons between eastern and western decadence. Billy, wild-haired, wild-eyed and full of animal strength, is superbly played by Kevin McMonagle. The translation by David Tushingham; the direction by Stephen Unwin has moments of genuine tension.

★

It is hard not to like *As You Like It*. The most pastoral of Shakespeare's plays, it has scarcely a touch of malice. Nevertheless, James Robert Carson's production at Greenwich makes heavy going of it. The opening is funereal and the eary scenes are stultified by over-formal costumes and a peculiar Grecian frieze. When the scene changes to picnicland in the Forest of Arden, however, the production perks up Philip Franks as Jacques performs the remarkable feat of speaking the seven ages of man lines as if they had just been written. He shines again when he makes his dignified, melancholy departure at the end. There is nothing camp about Jemma Redgrave's Rosalind. She hardly even looks as if she is dressed as a boy. Instead she is an intelligent who has fallen madly in love and enjoying every minute of it. This is a very youthful production which gets more exuberant as it goes on. The cast includes a wonderful Welsh Phebe, Buddug Morgan.

★

Viktor Slavkin's *Cerceau*, subtitled *"I'm Forty But I Don't Look It"*, is playing for the first time in English at the Orange Tree in Richmond. Written in 1983, its chief interest is in the way it foreshadowed glasnost in the period just before President Gorbachev. The characters, gathered in an inherited, but dilapidated country house outside Moscow, do not speak as if they are wholly oppressed by the regime, but neither are they part of it. They seem to be waiting for something to happen: these were, after all, the years of stagnation in the Soviet Union. The debt to Chekhov and *The Cherry Orchard*, written shortly before the revolution, is openly acknowledged by Slavkin. Nothing much does happen: the guests at the house discover cerceau, an old aristocratic game played with quoits on summer lawns and an old man turns up who remembers pre-1917 Russia. The piece is lovingly translated and directed by Adrian Brine and it certainly catches an atmosphere of ennui.

**Henry IV, Part 2 in repertory at the Barbican (071) 638 8891. Karate Billy, Royal Court Upstairs (071) 730 1745. As You Like It, Greenwich Theatre (081) 858 7755, Cerceau, Orange Tree, Richmond (081) 940 3633**

# Achtung baby, it's U2 in Paris

IN HIS goodie-goodie old days Bono used to sweep on stage clad in black leather and swathed in shades to treat his audience to a prayer. These days U2's lead singer is still in leathers and shades, but he welcomes himself to Paris in the bad-boy rocker tradition with "The only problem with this city is you never get to bed."

U2 kicked off the European leg of their "Zoo TV" tour at the Omnisport, Bercy on Thursday night. "Zoo TV", so-called in deference to Zoo Station in Berlin where the band made most of *Achtung Baby*. Its latest album, is both a set-piece for the album itself and a video extravanganza on the TV-addicted inner urban angst of the 1990s.

The show started with a sequence of songs from *Achtung Baby* – all shrieking electronic emotion and dark, despairing themes. The set, an electronic playpen of giant video screens and clapped-out cars in fluorescent colours, was a perfect back-drop.

U2 was at its best when taking *Achtung Baby's* angst to extremis. "The Fly" was a wonderful whirl of raw electronics accompanied by a staccato sequence of words – "Luxury", "Chaos", "Condom", "Flower" – thumping on and off the videos. The pathos of Bono's voice thrusting through the electronics in "One" and "Tryin' To Throw Your Arms Around The World" was eerily evocative of the individual's struggle to surface through the clutter of everyday life.

The only hitch was that there was little attempt to adapt *Achtung Baby* for a live performance. Most of the time this was fine. But one song, "Mysterious Ways", fell flat sounding as though it sorely needed the support of the techno-toys in the studio.

This is ironic given that it was only when all the electronic paraphernalia was stripped away and band abandoned the electronic play-pen main stage for a small podium – and in the second part of the show, when it rattled through its old rocker numbers – that you realised how talented U2 really is. The crowd, which had howled its appreciation throughout, went wild, as if with relief, whenever the strobes were switched off and it could see the band clearly on the stage.

The real appeal of "Zoo TV" was how neatly it illustrated its own message. A rock concert is, after all, the perfect platform to illustrate how individualism can be crushed by the mechanics of modern media, marketing and merchandising. At times U2 looked like victims of their own plot – as the cameras chased them around the stage to video them against their own videos and Bono, the singer who used to start his shows with prayer, splayed himself crucifixion-style across one of the biggest screens of all.

***Alice Rawsthorn***

'Dieppe: la rue Notre-Dame' by W.R. Sickert

# Why artists were drawn to Dieppe

***William Packer** reviews the Brighton Festival's principle exhibition*

THE BRIGHTON Festival, feeling itself perceived as principally a festival of music, has this year given its programme of exhibitions a particular emphasis. *Rendez-vous à Dieppe* is its principal offering, a celebration, as its sub-title puts it, of the town and its artists from Turner to Braque.

Admirably put together by John Willet, an English art-historian who lives just outside Dieppe, it indeed answers that deceptively simple brief, and the essentially uncurious visitor may pass happily down that chronology, indulged at each point by particular yet often unfamiliar examples of the highest quality.

Its true substance is quite as much in social as art-historical, its subject the strong link established over more than a century, by way of Newhaven, between the two opposing and yet so very different popular watering-places that face each other across the Channel. But important though Brighton has long remained to the English, as an occasional resort – raffish, bracing, above all accessible – it has never drawn to it a community of artists. Individuals may have come and gone, but there was never a group, a Brighton school, an artists' colony. The serious creative traffic was always passing through, and for the most part one way.

Quite why one town should become a hive and focus of creative energy and another not is always an open question. It is not simply by a quality of the picturesque, for both France and England have quaint and historic towns, all still quite artist-free in any proper art-historical sense. The artist may well stop for a while en route, but soon passes on, a few studies made, perhaps, a canvas filled, but nothing more and never again. It takes a Venice or a Paris to establish the interest permanently. Where a collective habit does form, such election seems always arbitrary and temporary, a creature of chance and circumstance.

Dieppe was always a special case, but even Dieppe's moment has come and gone, with few easels now among the tourists. For the French painters at a certain time, the harbours, cliffs and wide skies of the western Normandy coast were obviously attractive, but no more so than anywhere else within easy reach of Paris. The Seine valley soon drew Monet to the sea, for example, and Braque came to live a little along the coast at Varengeville; but even so, for the Frenchman, there was always the South.

For the English, however, France is the South, and Dieppe the first town of the South and the great escape. For so many of us simply to be in France is enough. In days of slower travel the temptation to draw breath after the crossing, to stay a day or two and look around, was even stronger than it is now. An artist might take a house and studio perhaps, find himself staying longer than ever he planned, show his work to others who might well come over and take a house – and stay rather longer than planned...

It is thus hardly remarkable that of the artists associated with Dieppe, rather more are English than French, nor that of the French, some such as Helleu and Blanche, should have had close English connections. Most particular of all, it was Sickert who came and stayed, and by virtue of his commanding authority among them, persuaded so many of his fellows and disciples to follow him. In earlier years, such painters as Turner and Bonington came over and passed through: between the wars, Ben Nicholson and Christopher Wood came over to sit at the feet of Braque: but of them all, the Sickert battalions at the turn of the century were those who made Dieppe most their own.

Here they all are, the Camden Townites, Gilman, Ginner and Spencer Gore, the *fin-de siècle* aesthetes, Conder and Beardsley, Ben's father William Nicholson who is at the very least as significant a painter as his son, and William Rothenstein, and Whistler, and Fergusson, and Matthew Smith. From Delacroix and Daubigny to Monet and Pissarro to Braque and Gauguin, the French are properly celebrated, but this remains, by its very nature and emphasis, a gratifyingly English exhibition.

**"Rendez-vous à Dieppe": Brighton Museum & Art Gallery, until June 30; sponsored by Sealink Newhaven-Dieppe**

# Odets in Ayckbournsville

"THE TIME is 1938 and the place is a dentist's waiting room in a New York office building." In 1938, the year Clifford Odets wrote *Rocket to the Moon*, he appeared on the cover of *Time* Magazine. He was 32, and the Broadway plays he had already written included *Waiting for Lefty*, *Awake and Sing*, *Paradise Lost* and *Golden Boy*. His kind of realism had an intense and immediate influence on Elia Kazan, Arthur Miller and others. How interesting today, as his works are becoming period pieces, to see *Rocket to the Moon* in Scarborough – in Alan Ayckbournsville.

For one thing, this is less of a period piece than you might expect. Its theme is perennial. Husband (dentist Ben Stark), almost 40 and henpecked by wife (Belle), falls in love with secretary (Cleo). Secretary, almost 20, falls in love with him. He feels he has never been so alive, she finds him more appealing than any other man, but he cannot bring himself to leave his wife.

For another, Malcolm Hebden has directed the play handsomely. Sarah-Jane Fenton, playing Cleo as a Marilyn Monroe of 1938, is first-rate, always quietly writhing in her tight uniform, perfectly catching the girl's accent helplessly exploiting her teeth and eyes. Only Kenneth Price, as Ben, is too weak; he lacks the part's mixture of neurosis and integrity.

Odets spices the story with humour and, thank heaven, with incidental detail. Afterwards, you also remember gratefully the shrewd medico neighbour, Frenchy Jensen (excellently played by Dale Ripley), the always surprising father-in-law Mr Prince (James Tomlinson) and the fact that the secretary Cleo has a gold-digger streak, lies about her background and is fairly dumb. In an immortal line, she tells Ben "You know something? I can't read Shakespeare. The print's too small."

The play has two big flaws. It is bogged down – as Arthur Miller's plays have been too – by the leadenness of its philosophising and symbolism. Characters keep reminding each other that this particular situation is actually "like millions of others." Frenchy no sooner touches on the subject of this love than he has to rhapsodise cynically about all Love. And the sheer dramaturgy of *Rocket* is creaky. Ben seems to be a dentist virtually without patients. But then, how could he have time for them? Even at 10 pm his friends and acquaintances are busily popping in and out of his waiting-room and catching each other in mid-revelation as if this were Feydeau's *A Flea in her Ear*.

***Alastair Macaulay***

Radio

# Back to the classics

THE CLASSIC Serials on Radio 4, on Saturday evening, repeated on Friday afternoons, are the very thing for those who know the names of all the great English novels but either read them too long since or have not read them at all. I don't know when I read Smollett's *The Expedition of Humphry Clinker*, but it is so full of incident I certainly could not remember half of it. Scott Cherry's adaptation, extracting the events from the letters Smollett presents them in, is packed with amusing narrative detail. The first instalment on Saturday mostly covered Matthew Bramble's journey from Brambleton to Bristol, Bramble being the splendid Timothy West. In his party are his sister Tabitha, his nephew Jery, his niece Lydia, his doctor, Lewis, the servant Winifred.

Love is frustrated whenever it appears – Tabitha's for Lewis, Lydia's for the actor Wilson, whom Jery challenges to a duel but succeeds only in killing a cow. Transient affairs like Jervis's death after climbing a staircase to deliver a letter are done as importantly as the major things. And Humphry Clinker? He is the ragged postilion the party meets on its arrival in Bath at the very end of this first hour, in which there wasn't a dull moment. Clive Brill was the director.

Radio 3's Drama Now on Tuesday, *The Cello and the Nightingale*, was less a drama than a dramatic imitation of a feature. Patricia Cleveland-Peck wrote it to mark the centenary of cellist Beatrice Harrison, and to recall her fascinating achievement in making the BBC broadcast the nightingales singing in her Surrey garden while she played the cello.

She had trouble in getting the Company (as it was then) to try anything so improbable, even with sundry telephone calls direct to Mr Reith. When at last all was agreed, the necessary kit spread all over the garden, a mike next to the nightingales' nest, she also had trouble in getting the birds to sing. She sat playing favourite items for a couple of hours – then, just as the BBC was ready to pack up, they began. The broadcast was a tremendous success, and was done again every year for 12 years.

Ms Cleveland-Peck had her troubles too, for the truth is that, for those of us not involved, that evening was tedious. Reminiscences of Beatrice Harrison's life, soliloquies of her thoughts as she played, touches of 1924 wireless, did not make it seem less so. Diana Quick was charming as Miss Harrison, and Julian Lloyd Webber played Elgar, Delius, Dvorak and the Londonderry Air.

What would Smollett have made of Radio 5's *Open Mike* on Monday, a six-part piece by Shaun Prendergast about life in a local independent radio station, Valley Sound? I reckon anyone as good on significant detail as Smollett would certainly have cared about such things. Mike (Gary Love) is the undisciplined guy who thinks the material they put out must attract attention even if it's risky. He has got one of the girl reporters pregnant and is virtually under three weeks' notice (though not for that). I could not follow everything, because the voices (young, eager) are so much alike; and at least so far there seems too little discipline in the station. But I'll be back.

I heard the second of Radio 1's current social programmes, *Tell it like it is*, to learn what new problem would be exhibited. There was miserable talk of jealousy, poverty, bullying and sexual abuse, particularly of girls by their mothers – not a common subject of discussion. How typical can all this be of our society? And how are such wretched people persuaded to talk, not to Samaritans, but to recording engineers condensing their wretchedness for, as we must concur, public benefit?

***B.A. Young***

ARTS

# Violence on the high seas

*Nicholas Woodsworth needed no fairy dust to find these pirates*

WHEN Wendy Darling and Peter Pan flew to Never-Never Land they used a complicated process involving fairy dust and the thinking of happy thoughts. When I stumbled out of a West End cinema one afternoon after watching Dustin Hoffman single-handedly take on Peter and the Lost Boys, I, too, felt like visiting the land of the pirates. Fairy dust is a nice professional flourish, but quite unnecessary. I simply strolled down to the Thames below Charing Cross, hopped onto a river bus, and headed east.

In fiction, pirate country is a sunny, far-away place of desert islands, squawking parrots and endless noggins of rum. Pirates themselves are jolly, hearty types, a bit wild and roguish at times, but loveable enough in their own peg-legged way. In reality nothing could be further from the truth. Never-Never Land begins at Wapping, and pirates are the most desperate, unlovable characters you could ever stumble across.

As the river bus skimmed past ferries and barges, warehouses and offices, it all looked innocuous enough. But as we passed through Wapping, one of the crew pointed out Execution Dock and a long flight of steps leading down into the water. It was here, at low tide mark – territory falling under Admiralty jurisdiction – that for centuries captured pirates were hanged on gallows erected on the river bed.

There was nothing jolly or romantic about this. Consider the notorious William Kidd who, mercifully, was roaring drunk the day he was hanged here in 1701. The first time he was strung up the rope snapped and he fell staggering in the mud below. After the job was finally finished Kidd was left to be submerged and re-exposed by the tide for a day or two, then his corpse was tarred, strapped in an iron harness, and for years left to swing in the wind on a gibbet as a warning to other buccaneers. It is a story that would make the Darling children think twice about fooling around with magic dust.

Had Wendy and her brother accompanied me a little further down-river to Greenwich, they would have been unlikely to leave their beds ever again for Never-Never Land. For at the National Maritime Museum pirates in their true awfulness are on display in a new exhibition. With *Fact and Fiction* as its sub-title, *Pirates* exposes the popular, glamourised view of pirates for what it really is: a fanciful concoction, best consumed in a snug armchair on a rainy day, with little basis in reality.

It is not only pirate classics such as Barrie's *Peter Pan*, Robert Louis Stevenson's *Treasure Island*, or Arthur Ransome's *Swallows and Amazons* which are the culprits. Stage musicals such as Gilbert and Sullivan's *Pirates of Penzance* and a slew of Hollywood films featuring the likes of a cutlass-swinging Errol Flynn are also to blame. From Lord Byron, whose 1814 manuscript of *The Corsair* is displayed, to Steven Spielberg, whose film costume for Hoffman's *Hook* is on exhibit, we are all guilty of wilful fabrication. So much so that there is no evidence to show that real pirates had ever even heard of "walking the plank".

This is not to say that pirates as they actually existed – and still exist – are not worthy of interest; the larger part of the exhibit, in fact, is given over to them and shows that they are more intriguing than anything Spielberg could dream up. Piracy has existed throughout history and in many parts of the world; rather than the stock, cardboard cut-out figures we usually imagine, they were a collection of individuals of highly different origins, motives and destinies, with little holding them together as a group other than a willingness to use violence to gain wealth on the high seas.

*A typically misleading view of a pirate's life of indolence and sensual luxury*

Contrast, for example, Sir Francis Drake and my own favourite pirate, Edward Teach, better known as Blackbeard. Drake was the greatest seaman of his age, the Queen's servant, and also a privateer – a man who sailed with a letter of marque, or Crown commission, authorising him to plunder Spanish shipping on its behalf in time of war. So lionised was he by the English public that not even unofficial plundering and daring peace-time raids on Spanish colonial ports prevented his being knighted by Elizabeth I.

Blackbeard, on the other hand, was a horrific, Rasputin-like figure who brutalised the men who served him and terrified opponents by appearing in the thick of battle with ribbons tied in his enormous beard, three pairs of pistols strapped to his chest, and smoke-belching slow fuses tucked under his hat. When the end finally came, it took five bullets and more than 20 deep cutlass wounds to bring Blackbeard down.

But different as they may seem, Drake, Blackbeard, Kidd, John Hawkins, Henry Morgan, "Calico Jack" Rackham, the cross-dressing female pirate Mary Read and a score of other infamous pirates are in one sense much of a likeness – they emerged from a "golden age" of piracy which lasted from the 1670s to the 1830s and was based largely in the Caribbean, first on the island of Hispanola (present day Haiti) and later at the Jamaican pirate town of Port Royal, "the wickedest town in Christendom".

One of the exhibition's attractions, then, is that among its graphic displays, film extracts, sound simulations, robotics and documents and memorabilia from pirate life, room has been found for inclusion of the greater pirate world – mayhem in the Mediterranean, plunder in the Indian Ocean, rapine off the south east-Asian archipelago, terror off Chinese coast. Such an inclusion is merited, for east Asian piracy took place on a vaster scale than it did in even in the Caribbean; witness the great 19th century pirate fleet of the female pirate Ching Shih, who controlled 800 large junks and a pirate community of some 80,000 men and women.

But violently acquisitive as pirates were, few indeed led the luxurious life myth has created for them. Most immediately spent what money they did gain on drink and gambling, leaving little for the gentler pleasures, or even essentials of life. If they took life easily, they gave it easily as well – many died violently or of disease and destitution, without a penny in their pockets. Measure these facts up against the colourful fiction of piracy, however, and it is fiction that wins every time. Just ask the bloodthirsty hordes queueing outside West End cinemas.

■ *'Pirates: Fact and Fiction' runs at the National Maritime Museum until September 6*

Off the Wall/**Antony Thorncroft**

# One huge gamble

"WHAT'S happening?" enquire arts administrators of journalists, artists of their agents. The answer is a resounding silence. Since David Mellor took over as Secretary of State for the new Ministry of the National Heritage the arts world has been coated in aspic, and is likely to remain so for the next three months.

Sensibly Mellor will closely scrutinise every aspect of his rag-tag empire, which embraces the performing arts and broadcasting, sport and the heritage, before making the profound changes destined to come from a man with his ambition, energy and inclination. The first priority is to find an architecturally distinguished home for his 350 strong work force, assembled from a host of ministries and currently based around the old Office of Arts and Libraries.

At least the team is in place, and Mellor plans no additional junior ministers to handle the arts or sport on a daily basis. He will take all the major decisions, allowing his number two, Robert Key, to over-see the one area Mellor still feels ill at ease with – the national heritage. A new PS, Hayden Phillips, has been brought in from the Treasury to try and restrain expenditure.

Mellor made it clear this week that everything will be reviewed, including the Arts Council. He will read with interest the Council's "National Strategy for the Arts", the first draft of which emerges next week, but there are already signs that the new Ministry regards this as the unfinished business of the old regime. Under Mellor the drift towards regional funding, to the devolution of the arts, may well be halted, but the key funding decisions are likely to be made by Mellor rather than a re-inforced Arts Council.

"I don't want this Ministry to be regarded as the old Office of Arts and Libraries on wheels" said Mellor this week. He obviously envisages a much more streamlined conveyance. Pushing the mobile metaphors further he is also loathe to be regarded "as a stage coach packed with gold travelling through Indian territory and in danger of losing a few gold bars here, a few more there, in skirmishes with Indians."

The gold is obviously the proceeds of the National Lottery. The best estimate is that the Lottery should be up and running by 1994 and capable of generating up to £1.5b a year. This is an amazing amount of money. It is just dawning on Mellor and his team (it has yet to penetrate the arts world generally) that instead of being one of the smallest and most impoverished of departments the Ministry for National Heritage could be amazingly well endowed. The arts in the UK are about to embark on a period of largesse not seen since the Prince Regent went on a buying spree.

Just consider the facts. The arts could receive £250m as its share of the Lottery. It plans to concentrate the money on refurbishing the superstructure of the arts, museum buildings and such like. In Year One it could commit enough to shore up for a century the V&A, the Tate, the British Museum, and the National Gallery. In Year Two (if it was feeling soft hearted) it could give Covent Garden the £90m it needs for its re-development and fund a national dance house.

> *'The best estimate is that the Lottery should be up and runnning by 1994'*

But what on earth is it going to spend the money on in Years Three, Four, etc? No doubt the expenditure on the performing arts, which, in theory, comes from a separate budget, will be trimmed somewhat, but you can just imagine the picture stories in the popular tabloids – of derelict hospitals wards, prefab schools on the one hand, while great palaces for culture, providing nourishment for the middle classes, arise elsewhere. The arts will have a fight on their hands holding on to the money if life and death public services seem under funded.

No one has yet worked out whether the arts can handle all the extra money which is targetted its way. If Mellor is looking for another transportation metaphor to describe his department he might consider, then quickly reject, "a gravy train".

★

In his brief three month incarnation as Arts Minister in 1990 Mellor raised hackles by his tangible support for the London Philharmonic Orchestra, of which he had been a board member. The febrile world of London music will be alert for more favouritism, especially as the LPO has made itself unpopular since assuming the position of "house" orchestra at the South Bank Centre from the autumn.

The LPO has undoubted privileges, spelt out in the Tooley Report which heralded its appointment. But it seems to want more and has run into conflict with the Philharmonia, which acquired the status of "best friend" of the South Bank. In terms of performances there is not much between them – 50 subscription concerts a season for the LPO; 45 for the Philharmonia. Both get the chance to rehearse in the Festival Hall.

But the Philharmonia's position of power without responsibility is irritating the LPO and already there are clashes appearing in the musical calendar. Next May for example the Philharmonia is performing Mahler's 7th Symphony under Sinopoli and in the same month the LPO is entrusting the work to Tennstedt. This is just the kind of thing that the residency was designed to avoid.

In theory London's four commercial orchestras are entering a period of calm. The LSO is resident at the Barbican, the LPO and the Philharmonia nestle on the South Bank and enjoyseasons at Glyndebourne and Paris respectively, while the RPO is free to tour the world and be commercial.

But the new scenario carries seeds of disaster. Next season the Festival Hall will be dark on well over 50 nights for rehearsal time. Audiences have been thinned by the recession and on average the Hall is less than two thirds full. The LPO will be asked to present challenging concerts. We could see a public reaction against a South Bank which appears to be either closed or presenting music of the third Viennese School.

But if audiences yearn for the good old days of populist works the musicians have never had it so good. Big increases in subsidy to the favoured orchestras mean that earnings have more than doubled in the past four years as the orchestras compete for the best players. The Philharmonia has even introduced holidays and sabbaticals – on the strict understanding that the musicians do not moonlight during their breaks.

# Mullova's Schoenberg

ALTHOUGH THE future for three of London's orchestras has been settled, the outlook for the Royal Philharmonic Orchestra remains uncertain: the impression is that it will find a less than warm welcome on the South Bank so long as its concerts are seen to be unadventurous.

So there is an irony that its three programmes this month under its Music Director, Vladimir Ashkenazy, include a major Messiaen score, the continuation of its Shostakovich cycle which is being recorded and, on Wednesday, the Violin Concerto by Schoenberg. This last is a rarity in the concert hall. A difficult work in every sense, it is shunned by audiences and violinists in just about equal measure.

Its reputation as a heavyweight goes before it. Heard live, however, the concerto is surprisingly light on its feet, the large orchestra used with delicacy, the solo violin never wrestling to make itself heard. No doubt Ashkenazy is a sympathetic accompanist, but then it would be difficult not to give one's best support in this work to a soloist as immaculate as Viktoria Mullova.

Where other players may struggle to get the notes, Mullova has no problems. The part is well within her technical limits and she has time to make music from it. This is not to say that her performance was an overtly emotional one, for Mullova is a dispassionate performer, but she became expressive simply by playing supremely well. There was never an ugly sound, but equally there was no striving after prettiness for its own sake. Just pure and beautiful music-making.

After the interval Ashkenazy and the RPO returned to give us their familiar interpretation of Sibelius's Second Symphony. The grand lyricism of Ashkenazy in the big romantic symphonies suits this one perfectly, as it does the orchestra. If a move from the South Bank is in prospect, the RPO might ponder that it would not sound as splendid at the Barbican.

***Richard Fairman***

FESTIVALS

# TELEVISION

## SATURDAY

### BBC1

6.35 Open University. 7.25 News. 7.30 Hallo Spencer. 7.55 Babar. 8.15 The Jetsons. 8.35 Round the Twist. 9.00 Parallel 9. 10.55 Film: The Steam-Driven Adventures of Riverboat Bill.

**12.07** Weather.

**12.10** Cup Final Grandstand. Introduced by Desmond Lynam, live from Wembley Stadium. Including at 12.15 Team News. 12.25 Racing from Lingfield Park; The 12.30 Daily Star Oaks Trial Stakes. Commentary by Peter O'Sullevan. 12.35 Cup Build-Up. 12.55 Racing: The 1.00 Maxims Club Derby Trial Stakes. 1.10 News. 1.15 Cup Build-Up. Previewing Airdrie v Rangers in the Scottish Cup. 2.00 A Tale of Two Johns - Barnes and Byrne. Profiling Sunderland's John Byrne and Liverpool's John Barnes. 2.20 Meet the Teams. 2.35 Pre-Match Build-Up. 3.00 FA Cup Final: Liverpool v Sunderland. Commentary by John Motson and Trevor Brooking, with expert analysis by Jimmy Hill, Bob Stokoe and Alan Hansen.

**5.10** Bugs Bunny.

**5.35** News.

**5.45** Regional News and Sport.

**5.50** Jim'll Fix It.

**6.25** Only Fools and Horses. Part two of last year's Christmas special. With David Jason, Nicholas Lyndhurst and Buster Merryfield.

**8.00** Eurovision Song Contest. Michael Ball steps into the spotlight to represent the United Kingdom at the 37th contest with his entry One Step Out of Time. Terry Wogan provides the commentary for the annual music event, live from Malmo, Sweden, where a record 23 countries aim to hit the right note.

**11.00** News and Sport; Weather.

**11.20** Match of the Day — The Road to Wembley. Desmond Lynam introduces highlights of the FA Cup Final between Liverpool and Sunderland.

**12.20** Elaine Page in Concert at the Symphony Hall in Birmingham.

**1.20** Weather.

**1.25** Close.

### BBC2

6.40 Open University.

**3.00** Film: Fire Down Below. Two partners in a Caribbean smuggling business fall in love with the same woman. Romantic drama, starring Rita Hayworth, Robert Mitchum and Jack Lemmon (1957).

**4.50** Badminton Horse Trials.

**6.10** Rugby Union. Coverage of the Middlesex Sevens Final from Twickenham.

**7.15** News and Sport; Weather.

**7.30** Have I Got News for You? Angus Deayton is the host of this comedy quiz show. Joining team captains Ian Hislop and Paul Merton are Charles Kennedy and Jan Ravens.

**8.00** Wet and Windy: High Pressure Heroes. An evening's viewing devoted to the weather begins with David Stafford following the trail of the weatherman from Met Office auditions to international stardom.

**8.35** Heavy Weather. Although produced by powerful computers, weather forecasting is still fallible. Using a week's weather, scientists are pitted against nature to see who wins.

**9.05** Weather with Bill Giles.

**9.10** Act of God. Peter Greenaway's compelling account of people who were struck by lightning and survived.

**9.40** Weather Island Discs. Weather enthusiast Paul Gambaccini draws up his top ten meteorological hits.

**9.50** 40 Minutes. Did the stock market crash of '87 have anything to do with the October storm? A host of people, including film director Christopher Petit, give their opinions on the power of weather.

**10.35** And God Blew. Former Monty Python member Terry Jones, helped by historians, strategists and writers, examines how the course of history has been affected by the elements.

**11.05** Film: The Thing from Another World. Members of a US scientific expedition in the Arctic are terrorised by a ferocious alien. Sci-fi horror, starring Robert Cornthwaite, Margaret Sheridan and James Arness (1951).

**12.30** Snow. 1963 film about a train's journey through a snowbound landscape.

**12.40** Weather.

**12.50** Close.

### LWT

6.00 TV-Am. 9.25 Gimme 5. 11.30 Zorro. 12.00 The ITV Chart Show.

**1.00** ITN News; Weather.

**1.05** LWT News; Weather.

**1.10** The Day.

**1.15** Stuntmasters.

**2.00** Film: The Towering Inferno. On the night of its grand opening, the world's tallest building catches fire. Epic disaster drama, starring Steve McQueen, Paul Newman, Fred Astaire, William Holden and Faye Dunaway (1974).

**5.00** ITN News; Weather.

**5.05** LWT News; Weather.

**5.15** Only Joking.

**5.45** Beverly Hills 90210.

**6.40** Wayne Dobson: A Kind of Magic. Guest Jessica Martin assists in an impressive illusion. Wayne makes £1m and a team of cheerleaders disappear.

**7.10** Bob's Your Uncle. Hosted by Bob Monkhouse.

**7.55** Perfect Scoundrels. Buchanan and Cassidy con a businessman into believing they've discovered his brother's Spitfire which crashed during World War Two. Peter Bowles and Bryan Murray star.

**8.55** ITN News; Weather.

**9.10** LWT Weather.

**9.15** Frankie's House. New series. Iain Glen stars as a war correspondent in Saigon during the Vietnam War. Based on the best-seller by photographer Tim Page, the drama focuses on his extraordinary friendship with American film idol Sean Flynn, son of Errol, played by Kevin Dillon.

**10.15** Metro. Actor and impresario Steven Berkoff gives his view of London's East End. Interview with actor John Malkovich and excerpts from his new play, A Slip of the Tongue. Plus, London duo Carter the Unstoppable Sex Machine talk about their impending album and tour with Ian Dury.

**10.50** Tour of Duty.

**11.45** Get Stuffed.

**11.50** The Big E. A taste of European life, including fashion, cuisine, entertainment and attitudes.

**12.50** Get Stuffed; ITN News Headlines.

**12.55** WCW Pro Wrestling.

**1.45** Music from the Bridge.

**2.15** New Music.

**3.15** Indy Car Racing. Toyota Grand Prix — Long Beach.

**4.10** Coach.

**4.40** The Hit Man and Her.

### CHANNEL4

6.00 Early Morning. 10.00 Sign On: Deaf World. 10.30 Film: Passport to Suez. 11.45 Pete Smith Specialties. 12.00 Get Smart. 12.30 pm Sumo.

**1.00** Film: The Mudlark. A cockney urchin breaks into Windsor Castle to meet Queen Victoria. Starring Alec Guinness and Irene Dunne with Finlay Currie (1950).

**2.50** Film: The Malta Story. Alec Guinness stars as a pilot defending Malta in World War Two. With Anthony Steel, Jack Hawkins, Muriel Pavlow and Flora Robson (1953).

**4.45** North to Wales. Documentary, made by British Rail in 1956, about a Welshman travelling back to Wales after many years' absence.

**5.05** Brookside.

**6.30** Right to Reply. Viewer John Hobbs questions how the Royal family is represented on television. He talks to Ted Brocklebank, producer of ITV's A Prince Among Islands, Will Wyatt, managing director of BBC Television and Andrew Neil, editor of The Sunday Times.

**7.00** A Week in Politics. Looking at the Bills the Government will be introducing over the next few months. Plus, Baroness Chalker, Minister for Overseas Development, at work in Brussels. And will Sir Cranley Onslow, chairman of the Conservative backbench 1922 Committee, be replaced by vice-chairman Sir Marcus Fox?

**8.00** Adventures: The Dream Ticket. New series. Real-life explorations and challenges by writers and film-makers. The first programme follows 12 of the 50,000 people who flew to their dream destination, courtesy of a British Airways competition.

**9.00** The Nightmare Years. New series. True-life four-part drama about an American journalist in Nazi Germany, who investigates the fate of a group of imprisoned priests. Sam Waterston stars with Marthe Keller and Ronald Pickup.

**10.50** Centrepoint. First of two parts. Jonathan Firth stars in this gripping thriller as a man haunted by the spectre of his deceased father. Co-starring Bob Peck and Cheryl Campbell.

**12.25** Industrial Symphony No 1.

**1.20** Close.

### REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

**ANGLIA:** 1.05 Anglia News. 1.10 Cartoon Time. 1.20 Starting from Scratch. 1.50 Chequered Flag. 2.20 Funny Girl. (1968) 5.05 Anglia News and Sport 9.10 Regional Weather. 10.15 Ray Bradbury Theatre.

**BORDER:** 1.05 Border News. 5.05 Border News and Weather 10.15 Aces High. (1976)

**CENTRAL:** 1.05 Central News 1.10 Cartoon Time. 1.20 Chequered Flag. 5.10 Central News 9.10 Local Weather. 10.15 Ordeal By Innocence. (1985) 11.55 Wolf.

**CHANNEL:** 11.30 Blockbusters. 1.05 Diary Dates. 5.05 Channel News. 5.10 Puffin's Pla(i)ce. 10.15 Tonight in Comedy.

**GRAMPIAN:** 11.30 Dinosaurs. 1.05 Grampian Headlines 1.10 Chequered Flag. 1.40 Crann Tara. 2.10 Pirates of Malaysia. (1964) 4.00 Hard Time on Planet Earth. 5.10 Criomagan. 9.10 Grampian Weather. 10.15 Short Circuit II. (1988)

**GRANADA:** 11.30 Express! 1.05 Granada News 5.05 Granada News 10.15 Stakeout. (1987)

**HTV:** 11.30 This is America, Charlie Brown. 1.05 HTV News. 1.10 US PGA Golf 1992. 5.05 HTV News. 10.15 Chequered Flag.

**SCOTTISH:** 11.30 Children's Island. 1.05 Scotland Today 5.05 Scotland Today 9.10 Scottish Weather. 10.15 Short Circuit 2. (1988)

**TSW:** 11.30 The South West Week. 1.05 TSW News. 1.10 Gus Honeybun's Magic Birthdays. 5.05 TSW News. 9.10 TSW Weather. 10.15 Days of Wine and Roses. (1962)

**TVS:** 11.30 Blockbusters. 1.05 TVS News. 5.05 TVS News. 10.15 Tonight in Comedy.

**TYNE TEES:** 11.30 My Secret Identity. 1.05 Regional News. 5.05 Northern Life. 10.15 Stakeout. (1987)

**ULSTER:** 1.05 Ulster Newstime 5.05 Ulster Newstime 5.10 Cartoon. 9.10 Ulster Newstime 10.15 Stakeout. (1987)

**YORKSHIRE:** 11.30 My Secret Identity. 1.05 Calendar News. 5.05 Calendar News. 9.10 Local Weather. 10.15 Stakeout. (1987)

**S4C Wales as Channel 4 except:-**

10.00 Slot Sadwrn. 2.45 Cwpan Yr FA 1992. 6.30 Nature Watch. 7.00 Newyddion Nos Sadwrn. 7.15 Nos Sadwrn. 8.05 Teulu'r Mans. 8.35 Tocyn Tymor. 9.20 Evening Shade.
9.50 TV Heaven: Introduction. 9.55 Please Sir. 11.05 The World of Whicker. 11.45 Do Not Adjust Your Set.

## SUNDAY

### BBC1

8.50 Playdays. 9.10 News. 9.15 Telling Tales. 9.30 This is the Day. 10.00 See Hear! 10.30 Hindu Urdu Bol Chaal. 10.55 Fast Feasts. 11.00 Broadcasting and a Learning Society.

**12.00** Work is a Four Letter Word.

**12.30** CountryFile.

**12.55** Weather for the Week Ahead.

**1.00** News; On the Record. Jonathan Dimbleby interviews Tony Blair, shadow employment spokesman, on the future of the Labour Party. John Rentoul reports on the Fabian Society pamphlet due to be published next week which, following Labour's defeat at the election, asks "Where to Now? David Walter reports on the setting up of a new Conservative Euro-sceptic group by Michael Spicer.

**2.00** EastEnders.

**3.00** Film: Hero at Large (1980).

**4.35** Biteback. Julian Pettifer presents a film report on the science programme QED and hosts a discussion on tobacco sponsorship. A second-hand car salesman complains about his image on Top Gear. Actress Juliet Stevenson criticises The Mary Whitehouse Experience for a sketch about disabled people.

**5.15** Steven Spielberg's Amazing Stories.

**5.40** Masterchef 1992.

**6.15** Lifeline. Ken Dodd appeals on behalf of HASICOM, a charity promoting deaf-blind communications using computer technology.

**6.25** News.

**6.40** Praise Be! Thora Hird talks to newsreader Martyn Lewis and visits a Norfolk convent where farm and domestic animals play an important part in nuns' lives.

**7.15** Don't Tell Father.

**7.45** Strathblair.

**8.35** Whicker's World: A Taste of Spain. Continuing his travels around Spain, Alan visits Andalucia where he meets sherry barons in Jerez.

**9.05** A Fatal Inversion. Three-part drama.

**10.05** News and Weather.

**10.20** Mastermind.

**10.50** Everyman: Remaking the World. Everyman examines the lives and hopes of activist Muslims in Egypt. Last of a three-part religious special.

**11.30** How Do You Manage?

**12.00** Dear John: USA.

**12.25** Weather.

**12.30** Close.

### BBC2

6.55 Open University. 12.00 Around Westminster.

**12.30** Sunday Grandstand. Introduced by Bob Wilson. Including at 12.35 Motor Racing: Round three of The British Touring Car Championships from Oulton Park. 12.55 Golf: The final round of the International Open from St Mellion, Cornwall. 1.55 Basketball: The British Championships from Wembley Arena. 2.45 Horse Trials from Badminton. Highlights of yesterday's cross country, plus live coverage of today's decisive showjumping section. 4.00 Golf. Times may vary.

**6.00** One World: The Ed Case Showcase.

**6.25** Rainbow Reports.

**6.35** The Money Programme. In the wake of the Blue Arrow and Guinness trials, Tessa Curtis asks if the British legal system can cope with serious fraud. Guests include Gareth Williams QC, Chairman of the Bar Council and Anthony Scrivener QC, Vice-Chairman of the Bar Council who was also one of the jurors in the Guinness trial. Postponed from Sunday May 3.

**7.15** Life on Earth. Part one of The Life Trilogy. David Attenborough begins the story of life from the first primitive cells to modern-day plants and animals.

**8.15** Film: The Milagro Beanfield War. Chick Vennera plays a New Mexico farmer who leads his neighbours in their struggle against greedy land developers. Comedy-drama, directed by Robert Redford (1988).

**10.05** Edge of Darkness. First of a five-part political thriller about one man's struggle against state security. Starring Bob Peck, Joanne Whalley-Kilmer, Joe Don Baker and Zoe Wanamaker. Written by Troy Kennedy-Martin. Music by Eric Clapton.

**11.50** Badminton Horse Trials. Looking back over the three phases of this event which has given the selectors a chance to assess Olympic form.

**12.45** Close.

### LWT

6.00 TV Am. 9.25 Happy Birthday Donald. 10.15 The Littlest Hobo. 10.45 Link. 11.00 Morning Worship. 12.00 Visions. The religious background to the bitter conflict in Yugoslavia. Plus, a report of the Aetherius Society, who believe Christ to be an alien — should we take them seriously? Also, a visit to the Anglican nuns of Burnham Abbey near Maidenhead. 12.30 pm LWT News Weekend. 12.55 LWT Weather.

**1.00** ITN News; Weather.

**1.10** Walden. Brian Walden interviews Bill Morris, General Secretary of the Transport and General Workers Union; The Day.

**2.00** Film: You're Only Young Twice. The puritanical head of a Scottish university is humiliated. Eccentric comedy, starring Duncan Macrae and Charles Hawtrey (1952).

**3.30** MacGyver.

**4.30** The American Match.

**5.25** Dogs with Dunbar.

**6.00** The Gardening Roadshow. When the people of Enfield turn a scruffy roundabout into a beauty spot, a grand opening from the town's Mayor completes their task.

**6.30** ITN News; Weather.

**6.35** LWT News; Weather.

**6.40** Hearts and Minds. New series. Victims of crime debate the issue of forgiveness. With controversial former judge James Pickles and the Rev Roger Royle.

**7.15** The Piglet Files. Starring Nicholas Lyndhurst. Last in series.

**7.45** Forever Green. Jack stops his son going on a sailing trip, but instead allows him to go fishing - unaware of the trouble to come. John Alderton and Pauline Collins star.

**8.45** A Prince Among Islands. The Prince of Wales returns to the remote Hebridean island of Berneray. Accompanied by Selina Scott and a TV crew, he again samples the crofter's way of life.

**9.40** ITN News; Weather.

**10.00** Spitting Image. Political satire puppet show.

**10.30** Celebration. The cabaret world of Edith Piaf and Marlene Dietrich. Featuring the preparation of a concert of songs they made famous, from Lilli Marlene to Je Ne Regrette Rien; The Day.

**11.30** Cue the Music.

**12.35** Trans One.

**1.35** The ITV Chart Show.

**2.30** Film: Desiree.

**4.30** Pick of the Week.

**4.55** Amnesty International 30th Anniversary.

**5.05** Soap.

### CHANNEL4

6.00 Early Morning. 9.25 The Sword of Tipu Sultan.(English subtitles). 10.00 Dispatches. 10.45 Dennis. 11.00 Beat That. 11.30 Flipper. 12.00 Little House on the Prairie.

**1.00** Voyage to the Bottom of the Sea.

**2.00** Film: The Story of Gilbert and Sullivan. Robert Morley and Maurice Evans head the cast of this musical biopic of Victorian composer Arthur Sullivan and librettist William Gilbert (1953).

**4.00** Arlott in Conversation with Mike Brearley.; News.

**5.00** American Chronicles. New series. Offbeat documentaries from Twin Peaks creators David Lynch and Mark Frost, beginning with a look at the Mardi Gras celebration in New Orleans.

**5.30** Kabaddi.

**6.00** Press Gang.

**6.30** The Wonder Years.

**7.00** Fragile Earth: Poisoning the Pole. Investigating the plight of the polar bear, under threat from pollution in the Arctic.

**8.00** Hard News. Investigating two recent Sunday Times stories about breakthroughs in research on asthma and Aids — both of which have raised hopes among sufferers but have been attacked by medical experts. Plus, a look at newspaper agony aunts. Do they offer sound advice?

**8.30** Sound Stuff: Together — Kiri and Andre on Broadway. New series. Documenting the making of opera singer Kiri Te Kanawa's first jazz album, when she worked with pianist André Previn, bassist Ray Brown and guitarist Mundell Lowe.

**9.30** Video Fantasies: Rachel's Dream. New series. In the first of four high-tech dramas, a downtrodden young woman (Kate Beckinsale) dreams up a pollution-fighting superhero (Christopher Eccleston).

**10.00** Film: The Dead. Anjelica Huston and Donal McCann play a married couple whose problems come to a head after a lively holiday dinner party. John Huston's final film as director is an adaptation of a James Joyce short story (1987).

**11.30** Virile Games and Adam.

**12.05** Film: Burning Memory. Danny Roth plays a traumatised soldier sent to a rehabilitation hospital (1989).

**1.45** Close.

### REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

**ANGLIA:** 12.25 Countrywide. 12.50 Anglia News. 2.00 The Life and Times of Grizzly Adams. 2.55 Themes, Dreams and Scream Machines. 3.55 The Wind Cannot Read. 6.00 A Village in. 6.35 Anglia News.

**BORDER:** 12.30 Gardening Time. 12.55 Border News. 2.00 Invitation to Remember. 2.30 Heidi. 2.55 Animal Country. 3.25 Revolt of the Pretorians. 5.05 Dogs with Dunbar. 5.35 Highway to Heaven. 6.35 Border News. 11.30 Prisoner: Cell Block H.

**CENTRAL:** 10.15 Heidi. 12.30 Gardening Time. 12.55 Central News 2.00 The Spirit of St Louis. (1957) 4.30 Disney Special: The Fluppy Dogs. 5.30 Trailblazers. 6.00 Central Sports Special. 6.35 Central News 11.30 Dangerous Women.

**CHANNEL:** 12.30 Reflections. 12.35 Les Français Chez-Vous. 12.50 Tele-Jornal. 2.00 Davy Crockett: Rainbow in the Thunder. 2.55 Cartoon. 3.05 Magnum. 4.00 Trailblazers. 4.30 Tell the Truth. 5.00 The TVS Match. 6.00 The Gardening Roadshow. 6.35 Channel News.

**GRAMPIAN:** 9.25 Happy Birthday Donald. 10.15 The Littlest Hobo. 10.45 Under the Mountain. 11.15 Let's Rejoice. 11.45 Link. 12.30 My Secret Identity. 12.55 Grampian Headlines. 4.15 Adventure. 4.45 Cartoon Time. 5.00 The Sealy Five Kingdoms Challenge. 5.30 Life Stories. 6.00 The Way It Was. 6.35 Grampian Headlines. 11.30 Prisoner: Cell Block H.

**GRANADA:** 10.15 Heidi. 12.25 Granada This Week. 12.55 Granada News 2.00 The Duke of West Point. 4.10 The A-Team. 5.00 Granada Action with the A Team. 5.30 Coronation Street. 6.35 Granada News 10.30 Celebration. 11.30 Prisoner: Cell Block H.

**HTV:** 12.30 Farming Wales. 12.55 HTV News. 2.00 HTV Newsweek. 2.30 The Wind Cannot Read. 5.30 Budo Sai. 6.00 House Style. 6.35 HTV News.

**HTV Wales as HTV except:** 2.00 Nature and Wildlife.

**SCOTTISH:** 9.25 The Flying Deuces. (1939) 10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Let's Rejoice. 12.30 Talking Pictures. 12.55 Scotland Today. 2.00 Scottish Junior Cup Final. 4.15 Survival. 4.45 Cartoon. 5.00 Disney's DTV Romancin'. 6.00 Life Stories. 6.35 Scotland Today. 11.30 The Virgin and the Gypsy.

**TSW:** 12.30 TSW Farming Week. 12.55 TSW News. 2.00 Off the Hook. 2.30 Disney's Mickey's Happy Valentine Special. 3.25 Breakdance 2: Electric Boogaloo. 5.10 Story of Steam. 6.00 House Style. 6.35 TSW News. 11.30 Magnum.

**TVS:** 12.30 TVS News. 2.00 Davy Crockett: Rainbow in the Thunder. 2.55 Cartoon. 3.05 Magnum. 4.00 Trailblazers. 4.30 Tell the Truth. 5.00 The TVS Match. 6.00 The Gardening Roadshow. 6.35 TVS News.

**YORKSHIRE:** 9.25 The Magic of Dr Snuggles. (1984) 12.25 Newrang. 12.50 Calendar News. 2.00 Highway to Heaven. 3.00 Red River. (1948) 5.30 Robinson Crusoe. 6.35 Calendar News. 11.30 The Law and Harry McGraw.

# RADIO

## SATURDAY

**BBC RADIO 2**
6.00 Barbara Sturgeon. 8.05 Brian Matthew. 10.00 Anne Robinson. 12.00 Gyles Brandreth. 1.00 The Goon Show. 1.30 Someone and the Grumbleweeds. 2.00 Ronnie Hilton. 3.00 Steve Race. 4.00 Sounds of Sinatra. 5.00 Cinema 2.
5.30 Make 'Em Laugh. 6.00 Jessica Martin's Variety. 7.00 Funny That Way. 7.30 Easy Does It. 8.00 Eurovision Song Contest. 11.00 David Allen. 12.30 Night Ride. 4.00 Barbara Sturgeon.

**BBC RADIO 3**
6.55 Weather and News Headlines.
7.00 Morning Concert.
8.30 News.
8.35 Ulster Orchestra.
9.30 Saturday Review.
12.55 Molecules.
1.00 News.
1.05 Bach.
1.45 Prague Symphony Orchestra.
3.30 Schumann's Piano Sonatas.
4.00 James Bowman.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Rossini.
7.00 The Thieving Magpie.
10.10 A Babble of Green Fields.
10.30 BBC Philharmonic.
11.25 Trio 1978/88.
12.00 News.
12.05 Close.

**BBC RADIO 4**
6.00 News.
6.10 Farming Week.
6.50 Prayer for the Day.
6.55 Weather.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
1.55 Shipping Forecast.
2.00 News; Any Answers?
2.30 Saturday Playhouse: The Lucky One.
4.00 A Sense of Place.
5.00 The Living World.
5.25 Fourth Column.
5.50 Shipping Forecast.
6.00 News; Sports Round-Up.
6.25 Week Ending.
6.50 Stop the Week.
7.20 Kaleidoscope.
7.50 Classic Serial: The Execution of Humphrey Clinker.
8.50 Visiting Lives.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 A Matter of Conscience.
10.45 Beloved Country.
11.00 Richard Baker Compares Notes.
11.30 Dear Diary.
12.00 News.
12.33 Shipping Forecast.

**BBC RADIO 5**
6.00 World Service: Newshour.
8.30 Saturday Edition.
9.00 On Your Marks.
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Cup Final Sport On Five.
5.50 Sports Report.
6.05 Danny Baker at Six-O-Six.
7.30 Le Top.
9.00 Afropop Worldwide.
10.00 Sportsdesk.
10.15 On the Level.
12.00 Close.

**WORLD SERVICE**
BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk.
8.30 People And Politics. 9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View.
10.45 Sports Roundup. 11.00 News Summary. 11.01 Club 648 Special. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News; News About Britain.
1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary. 3.01 Sportsworld. 5.00 News; Travel news; BBC English. 5.30 Londres Soir.
6.14 Letter From America. 6.29 News Summary. 6.30 Heute Aktuell. 7.00 German Features. 7.54 News in German. 8.00 Guitar Legends in Seville. 8.30 Europe This Weekend.
9.00 News; Personal View; Words of Faith. 9.30 Meridian. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Jazz For The Asking. 11.45 Sports Roundup.
12.00 News; Words of Faith; Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 The Ken Bruce Show. 2.00 News Summary. 2.01 Play Of The Week: The Duke In Darkness.
3.00 Newsdesk. 3.30 Submarine — The Hidden Menace. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 Business Review. 4.45 News and Press Review in German.

## SUNDAY

**BBC RADIO 2**
7.00 Don MacLean. 9.05 John Sachs. 12.00 Desmond Carrington. 2.00 Benny Green. 3.00 Teddy Johnson. 4.00 Young Musician 1992. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Arts Programme. 12.05 Gyles Brandreth. 1.00 Fran Godfrey. 4.00 Alex Lester.

**BBC RADIO 3**
6.55 Weather.
7.00 Morning Concert.
8.30 News.
8.35 Roads to Spain.
9.15 Academy of St Martin-in-the-Fields Chamber Ensemble.
10.15 Music Weekly.
11.00 Ozawa and the BSO.
12.20 Schumann's Piano Sonatas.
12.45 Table Talk in Texas.
1.00 News.
1.05 Your Concert Choice.
2.30 Anne Sofie von Otter.
4.20 Poet of the Month.
4.30 Baroque Wind Concertos.
5.00 Soundings.
6.00 Songs in Exile.
7.00 Schumann's Piano Sonatas.
7.30 Critics' Choice.
8.25 BBC Symphony Orchestra.
10.15 Orlando String Quartet.
11.40 Rameau.
12.00 News.
12.05 Close.

**BBC RADIO 4**
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 The Living World.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Paul Eddington.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
1.55 Shipping Forecast.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
3.45 Limpopo Lives.
4.00 Letters to a Viceroy.
4.47 Treasure Islands.
5.00 Down Your Way.
5.40 Lines of Communication.
5.50 Shipping Forecast.
6.00 News.
6.15 The Village.
6.30 Wonderlandscapes.
7.00 In Business.
7.30 Bookshelf.
8.00 Punters.
8.40 Reading Aloud.
9.00 The Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.15 Canterbury Tales.
11.00 Out of Order.
11.30 Seeds of Faith.
12.00 News.
12.33 Shipping Forecast.
12.44 (FM) Close.
12.44 (LW) As World Service.

**BBC RADIO 5**
6.00 Newsdesk.
7.00 Meridian Reports.
7.30 Sunday Edition.
9.00 Caron Keating.
10.30 Education Matters.
11.00 In House.
11.30 Ring a Winner.
12.40 Open Forum.
1.00 Sunday Sport.
6.15 The Olympic Years.
7.10 Open University.
10.10 Across the Line.
12.00 Close.

**WORLD SERVICE**
BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain. 7.15 Letter From America. 7.30 Jazz For The Asking.
8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News; Words of Faith; Music With Matthew. 10.00 News; Business Review.
10.15 Short Story: A Day In The Life Of A Parrot-Astrologer. 10.30 Folk In Britain. 10.45 Sports Roundup. 11.00 News Summary; Science In Action. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk.
12.30 The Ken Bruce Show. 1.00 News Summary. 1.01 Play Of The Week: The Duke In Darkness. 2.00 Newshour. 3.00 News Summary; The Human Child. 3.30 Anything Goes. 4.00 News. 4.15 BBC English.
4.30 News In German. 4.40 German Features. 5.00 News. 5.14 Travel news; BBC English. 5.30 Londres Soir. 6.14 Jazz Now And Then. 6.29 News Summary; News in German. 6.40 German Features. 7.54 News in German.
8.00 Classic Recordings. 8.30 Europe Tonight. 9.00 News; Folk In Britain. 9.25 Words Of Faith. 9.30 The Litmus Test. 10.00 Newshour. 11.00 News; News About Britain.
11.15 Short Story: A Day In The Life Of A Parrot-Astrologer. 11.30 Letter From America. 11.45 Sports Roundup. 12.00 News; Business Review; Music With Matthew.
1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary; What's News. 2.15 About Face. 2.45 Turning A Tune; Music Making In Ireland. 3.00 Newsdesk.
3.30 Composer Of The Month: Joseph Haydn. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 The Week Ahead; Travel.

# CHESS

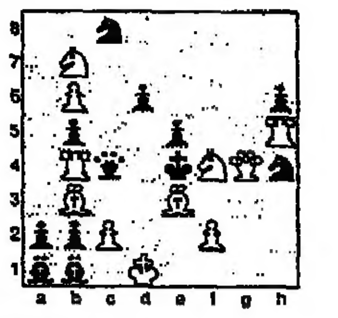
TOURNAMENT chess and composed problems used to be worlds apart, but this is changing. The Walsall Kipping club, named after an eminent Staffordshire composer, has just celebrated its golden jubilee with the UK's strongest ever weekend tournament.

Half of Britain's top grandmasters and masters competed for a £5,000 prize fund from Walsall-based waste processors Leigh Interests, who already sponsor the UK inter-club championship and Grand Prix.

GM Murray Chandler, won the tournament, but the most original strategy came from the No 4 John Nunn (J Nunn, White; L Cooper, Black; Four Knights; Walsall 1992).

1 e4 e5 2 Nf3 Nc6 3 Nc3 Nf6 4 Bb5 Nd4 5 Ba4 Nxf3+ 6 gxf3!? 6 Qxf3 is the automatic recapture. Nunn accepts doubled pawns, offset by a central attack and open lines for his queen and rooks. c6 7 d4 exd4 8 Qxd4 d6 9 Bb3 b5 10 a4 c5 11 Qd1 b4 12 Nd5 Be6 13 Rg1 *Nxd5 14 Bxd5 Rc8 15 f4 g6 16* f5 Bxd5 17 Qxd5 Bg7 18 Bg5 Bf6 19 h4! Qe7 20 0-0-0 Rd8 21 *e5! A thematic break-through* crowns White's novel plan. Bxg5+ 22 hxg5 dxe5 23 Qc6+ Kf8 24 f6 Resigns. If Rxd1+ 25 Rxd1 Qe8 26 Qc7.

**CHESS No 922**



White mates in two moves, against any defence.

This week's problem is the first stage of the annual British Solving Championship, sponsored by East-West Consultants with a prize fund of over £1,000. To enter, solve the problem and send White's first move to Solving Championship, 76 Lambscroft Ave, Mottingham, London SE9 4PB postmarked no later than 31 May. Mark your solution "Financial Times". The answer will *appear here in early July.* Correct solutions qualify for a harder postal stage leading to a *final in London in early 1993.* There is £50 for a randomly drawn first stage solver.

***Leonard Barden***

# BRIDGE

The Bridge Weekend, arranged by the *FT* from April 24-27 was *a great success. Some 30 of us* stayed at the Mirador Hotel at Vevey, Switzerland, in a charming setting.

The bridge proved most popular. In the mornings I would give a talk on the play of the cards, and each afternoon a duplicate pairs competition was ably run by Clair Sexton and his wife, Ann. The evenings were devoted to rubber bridge. Here is one hand.

N
♠ J 3
♥ 8 5 4 2
♦ A J 10 5
♣ A 10 2

W
♠ A K Q 9 7 4
♥ 3
♦ K 9 4
♣ J 8 5

E
♠ 8 5
♥ J 6
♦ Q 8 7 6 2
♣ Q 7 6 3

S
♠ 10 6 2
♥ A K Q 10 9 7
♦ 3
♣ K 9 4

West *dealt* with *both sides* vulnerable, and opened the bidding with one spade. This was *followed* by two passes and the South player reopened with two hearts. West tried again *with two spades.* North raised to four hearts ending the auction.

West started with the spade ace, on which East dropped the eight, and continued with the king, East completing the peter. The queen, which came next, was ruffed by the heart eight, and overruffed by the knave. Unable to avoid the loss of a club trick, declarer went one down.

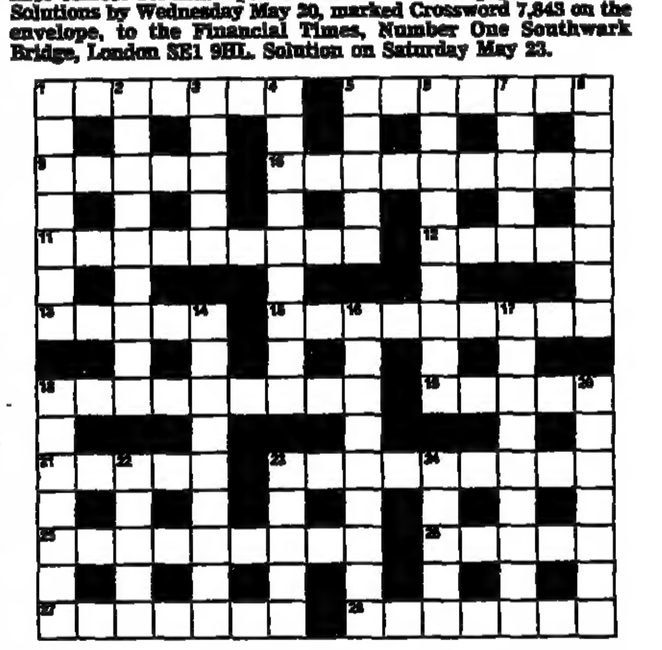
When the hand was over, South said to her partner, "That was unlucky," and North agreed. I know that I had not in my talks covered the transfer of ruffs, ruff-swapping as it is known among the fancy, but she surely had heard of loser-on-loser. The contract was *cold. All she* had to do was to throw a club from dummy on the third spade, and *submit to a third loser.* Then she wins whatever is returned, draws the trumps, cashes two club winners, and ruffs the third club in dummy.

***E P C Cotter***

# CROSSWORD

## No. 7,843 Set by CINEPHILE

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday May 20, marked Crossword 7,843 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday May 23.



Name

Address

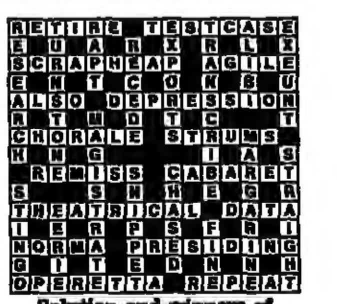
**ACROSS**

1 *Strike kit?* (7)
5 Aptitude for health? (7)
8, 19 *Thinks too much of how we were before the Poll Tax?* (10)
10 Cell dealing with invaders: off they go with a Police Constable (9)
11 Bit to eat? Not altogether (9)
12 There's more outside (5)
13 Theme to choose? Not altogether (5)
15 Compiler's *marker* in cross that can't be altered (9)
18 What notes have in a band, and how often (9)
19 See 9
21 Mutton encountered by social *creature* (5)
23 Panda, perhaps, of north or south around much of icecap (6,3)
25 *Headless fixer gets two kinds of bread* (4,5)
26 Encore makes a profit (5)
27 Ebbing and flowing's news (7)
28 Compunction about code (7)

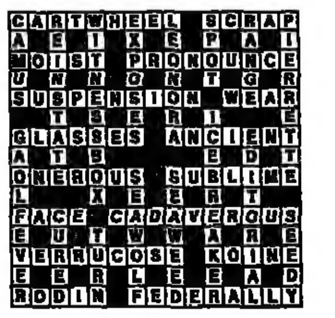
**DOWN**

1 Sex object with holes in it (7)
2 *Folks at home maybe poled with pole* (3,6)
3 Push the boat? (5)
4 Do I allow to take the stage after, theatre being full? (9)
5 Chemin de fer? That's rather weak! (5)
6 *Change to sweater for sports car?* (3-6)
7 African country, type altered to include Guinea? (5)
8 Loss of liquid (refer to elsewhere in book....) (7)
14 Sex object or nut case (lunatic) (9)
16 Fathers' ship will perhaps come out (9)
17 New university job: it has a hood (4,5)
18 *Goods of beaten fighter* (7)
20 Squirt? Yes, turning outside circle (7)
22 *Fungus in plaster?* (5)
23 City of plaster? (5)
24 Spell cleaner with M? (5)

**Solution to Puzzle No.7,842**



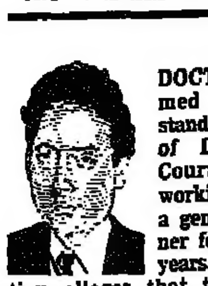
**Solution and winners of Puzzle No.7,832**



M. Murphy, Norton, Cleveland; S. Davey, Brighton, Sussex; C. Gandy, Oxford; Mrs M. Hill, Epsom, Surrey; J.M. Lynch, Penylan, Cardiff; J.E. Tierney, Acomb, York.

# The strange case of Dr Mitty

***Dominic Lawson** asks what it takes to give a person an air of authority*



DOCTOR Muhammed Saeed, 64, stands in the dock of Leeds Crown Court accused of working illegally as a general practitioner for the past 30 years. The prosecution alleges that the man had assumed the identity and qualifications of a 73-year-old Doctor Muhammed Saeed, who qualified with a Batchelor of Medicine and Surgery degree from the University of Punjab, Lahore, in 1949. The younger Muhammed Saeed is alleged to have used a duplicate of this certificate to register with the British General Medical Council in 1961.

Since then, young Saeed has run a surgery in Bradford, West Yorkshire, with 3,000 patients. The prosecution alleges that the man was "bogus" and "was running a sub-standard surgery with sub-standard facilities with a low regard for cleanliness . . . this man is ignorant of medicine and ignorant of the breadth of medicine available and is capable of many prescribing errors."

Only time, and the jury at Leeds Crown Court, will tell whether young Saeed is guilty or innocent of the charge of deception. It brings to my mind an earlier and quite different case in which a man far younger even than young Saeed successfully masqueraded as a surgeon in a National Health Service hospital. He performed a number of minor operations successfully before he was detected as a fantasist who had always dreamt of being a surgeon, a dream nourished by a collection of Emergency Ward 10 videos.

The poor man was defrocked of his white coat, to end up at an institution in the care of other men in white coats. Were they real doctors? – The coat is essential to the trick.

On a more mundane level, I recall the antics of a parsimonious friend with a large appetite who, living near a large hospital, would at lunchtime don a white coat and walk into the hospital canteen. Naturally, the more often he went, the less likely it was that he would be challenged.

But Mr Doctor Saeed has been practising "real" medicine for over 30 years, without raising suspicion. If, as the prosecution allege, he was not genuine, then it is the greatest example of a successful placebo test in the history of medicine, showing that it is not just fake pills that can cure or treat a patient, but even a fake doctor and a fake surgery.

Nor would this be very surprising. All we require from a GP is a sense of authority and the hope that he or she will send us to hospital if we are ill and he has no idea why or with what. The sense of authority comes simply from the fact that we believe the man actually is a doctor, and if young Saeed happened to send rather more of his patients to hospital than is normal, that would be no bad thing. The worst doctors are those who are not aware of the limits to their own knowledge. The prosecution would claim that young Saeed was only too well aware.

Paradoxically, the greater the position of authority, the more likely people are to be fooled or convinced.

I recall a conversation with a political observer of some note in the early days of the recent General Election campaign – when it was fashionable, indeed obligatory, to rubbish the Prime Minister.

Major, said this disenchanted observer to me, was a Walter Mitty figure who had, by some bizarre twist of fate, been propelled from obscurity into the job of Prime Minister.

The pundit explained it was actually very easy to persuade people that one really was the Prime Minister, prime ministerial even. One lives at the right address, and was driven around in the right sort of car, with the right sort of bodyguards. And one had all the resources of the Civil Service at one's disposal, to give one a plausible prepared answer to any tricky questions that might be put. Then the pundit tapped his nose. "But now Mr Major must do without his civil servants" – the equivalent of Dr Saeed's nurse, perhaps "and once he is all alone on the hustings, the electorate will suddenly realise that he is not really the Prime Minister after all, but just Walter Mitty." Well, they didn't. Which, I suppose the Labour-voting pundit would argue, shows that you can fool 41 per cent of the people all the time.

■ *Dominic Lawson is editor of the Spectator.*

Private View/**Christian Tyler**

# From exodus to Armageddon

***Alexander Nathanson**, a Russian immigrant to Israel, on anti-Semitism, his new life in the Jewish Motherland, and the search for employment*

FROM THE ruins of Armageddon came the sound of violins. The sound led to a man and woman in their fifties who stood together in the shade of a *eucalyptus* tree at the foot of the ancient city. They were reading from dog-eared sheet music, duets by the late 18th century composer Ignace Pleyel. Propped in front of them was a printed plastic sign "New immigrants from USSR" and a basket containing coins.

The couple said they had arrived from the Ukraine two years ago and this genteel form of busking was the only employment they had found so far.

Israelis are fond of saying with a wry pride that they have enough Russian immigrant violinists to fill their national symphony ten times over. But the joke turns sour when in the centre of Jerusalem or Tel Aviv you can find whole streets full of professional musicians scraping for a living.

About 350,000 Soviet Jews have landed in Israel since they were given freedom to emigrate in 1989, a number which is equivalent to 7 per cent of the country's population. The total was expected to rise to 1m by 1995 but in the past year the monthly intake has halved and halved again. At the last reported count, some 1,500 Russians had applied to go home again.

Russian unemployment has given rise to scandalous tales – of university professors reduced to scavenging in dustbins, of doctors employed as hodcarriers and women teachers resorting to prostitution – and to resentment on both sides.

I went to the Soviet Jewry Centre in central Jerusalem to meet Alexander Nathanson, a 50-year-old physics lecturer from Kuybyshev on the river Volga, who has been in Israel for 15 months without a job.

The centre is one of 14 refuges in the city where Russians can go to keep themselves occupied. This one specialises in the arts: chamber music, jazz, drama, painting, and performances by "the singing rabbi". An Edith Piaf album was playing in the coffee shop. Everybody smoked. A greybeard with a profile to rival Rasputin's sat at the bar. A dark youth by the window sighed over a letter from home. Somebody was practising the saxophone in a nearby auditorium.

Nathanson is tall and very shy, with big hands and a slow smile. He talked, through an interpreter, as if undergoing yet another bureaucratic interrogation: self-effacing to the point of submissiveness, polite, alert but careful to say nothing that might offend his host country.

I asked him whether he had felt victimised in Russia.

"In general it was difficult for a Jew to get to university, especially to a physics faculty."

Would you have got further if you were not a Jew?

"Possibly."

In ordinary life, how did this discrimination show itself?

"I tried to get to the polytechnic and they didn't want to take me because I was a Jew. They didn't sign the reference in the Communist party committee. Only with that could you get to college."

Nathanson went to the local school and to the University of Gorki to study solid-state physics and eventually, after his two years in the Red Army, became a lecturer at a technical college.

I asked him: although you suffered professional discrimination, were your neighbours friendly?

"I had a very good relationship with all my colleagues at work. But I was very surprised by something that happened some time before I came to Israel. We were discussing a photograph in a magazine and one of my friends said to another: 'Look, this man looks a bit like you!' The other answered: 'No he doesn't. Why do you compare me with some Jew?' I was very depressed. I didn't expect that reaction from him because he had been my friend for many years."

Was it because of anti-semitism that you decided to emigrate?

"It was one of the reasons. Besides, I was afraid for my children, for their future. I didn't know what was going to happen to the country."

Nathanson emigrated with his wife Alla, a piano teacher who is also looking for work, and his daughters Inna, 21, and Elina, 15. I asked him if it was his decision to leave, or his wife's.

"It was our joint decision. We thought a lot about it and then decided."

In the Soviet Union did you feel Jewish or did you feel Russian?

"I was born in Russia and my native language was Russian. I was brought up on Russian culture and literature. And of course I read the works of Russian writers and I loved them. But I never forgot that I'm a Jew and I was also aware of Jewish culture: I went to concerts of Jewish music and everything, but I am not religious."

Did you really want to go to America or some other country? Was Israel your first choice?

"We came here at the time of the Gulf War and we stopped first of all in Hungary where my wife tried to get us to some other country. But I wanted to go to Israel and insisted."

What is so special about Israel?

"We didn't have much choice. That is one of the reasons. Another important reason is that it is our national motherland."

What are your prospects of work?

"At the moment I am studying at the university, a special course for teachers of physics and mathematics. I hope that after I've finished I'll be able to find a job."

There must be many others with similar qualifications. Won't it be a problem finding work?

"Yes, I think it's a big problem at the moment. But I am also a member of the organisation of Russian scientist immigrants who try to develop their own ideas for commercial application. I hope we will manage but it's very difficult. Perhaps I will find a job in this way."

Have you done any kind of work for money here yet?

"Not yet. I've given some private lessons."

Any building work or waitering?

"No."

The Nathansons lives on 870 shekels (about £204) a month unemployment benefit and what is left over from the so-called Absorption Basket, a start-up loan which has to be repaid if the immigrant leaves Israel within five years.

Do you find it depressing?

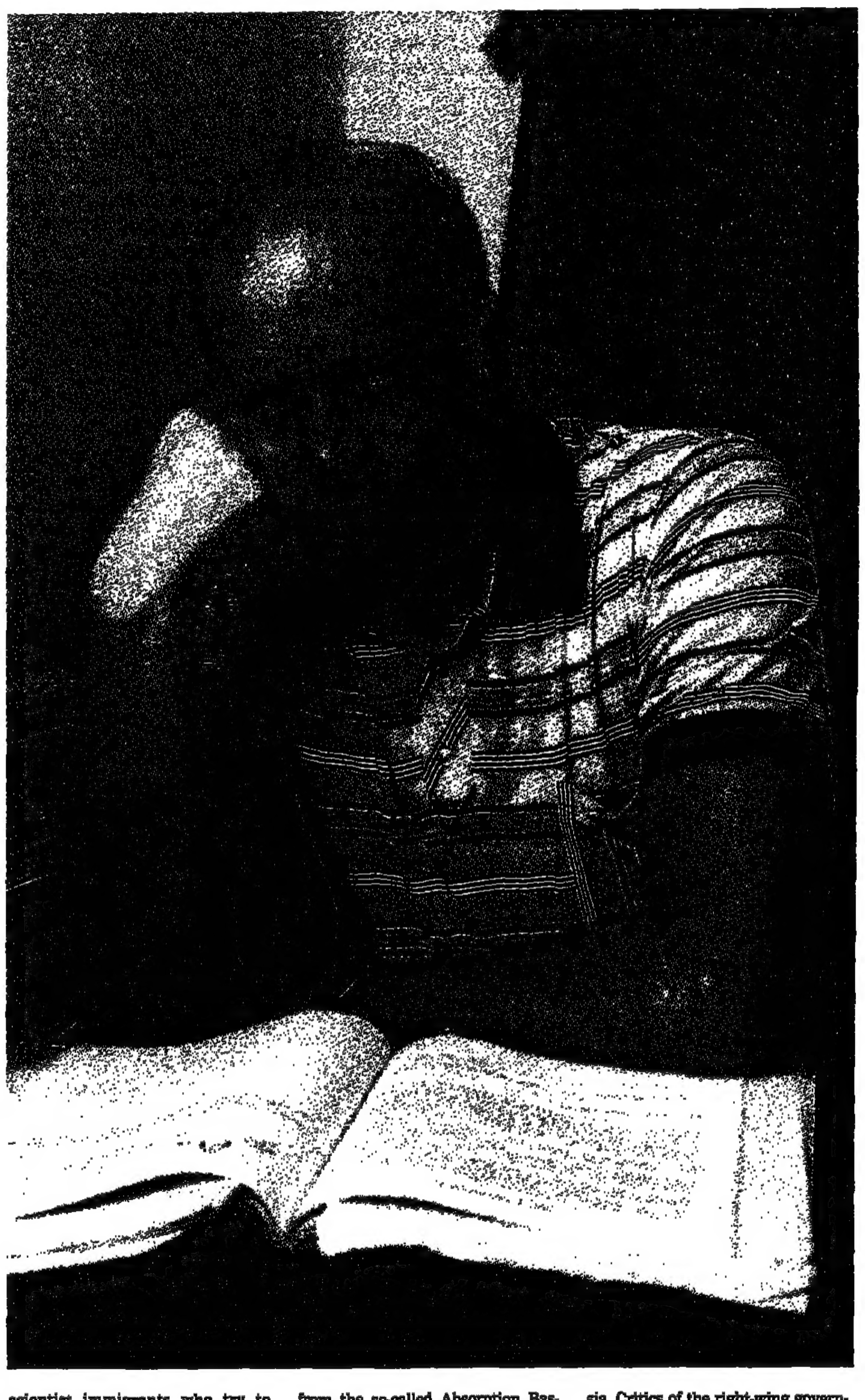
"Naturally I have spent a lot of time learning Hebrew. But I am not used to being unemployed for such a long period."

Did you know before you came how difficult life would be here?

"I did know, but I was hopeful."

Housing is as much or more of a problem in Israel as it was in Russia. Critics of the right-wing government accuse it of treating the Russian immigrants as political pawns: using their presence to justify aggressive settlement-building in the occupied West Bank instead of finding ways of absorbing them in the home economy.

In Kuybyshev the Nathanson family had two large rooms. In their suburban flat in Talpiot outside Jerusalem they share three bedrooms and a sitting room with his parents-in-law and his daughter's husband.



What do you most like about Israel, I asked him.

"The people and the scenery. Almost every day when we were studying the *ulpan* (the immigrants' crash course in Hebrew) in the north we went on excursions."

How does it compare with home?

"The biggest difference is that I am used to water. I used to live on the bank of the river and here in Jerusalem I feel there is no water. I used to go sailing with my friends every summer."

And what do you find most difficult about living here?

"The main difficulty is not knowing the language. But now things are improving. Second, the lack of friends and relatives."

Do you find the Israelis resentful because there are so many Russians here looking for work?

"You can't generalise: there are different kinds of people. I myself have mostly met people who are very nice and ready to help. Maybe there are some who are not happy about the Russians."

You've suffered no victimisation because of it?

"No."

Do you know people who have?

"I don't like blaming people without knowing the facts. You can't blame people just from something you've heard."

Have there been occasions when you have wished you had never come?

"I miss not working very much. But I have never thought of returning. We have had no discussions like that in my family."

At 50 years old it is quite late in life for such a big change, isn't it?

"Yes, of course it's very difficult. But I did it for the most part for the sake of my children. Maybe if I had been alone I wouldn't have come here."

Can you describe how living here has changed you? Do you feel a different person?

"I lived in the Soviet Union for almost 50 years and although I understood and realised many things, I was influenced by the Soviet propaganda and ideology.

"Here I feel much more free. It's a pity that I wasted a lot of time on such empty things: for example, studying the history of the Communist Party. I used to study at the Institute of Marxism-Leninism and that also was a waste of time. Now I realise it."

While in the army Nathanson was invited to join the Communist Party. He refused. "I wasn't blind," he said.

Do you see any similarity between the way the Russians treat the Jews and the Jews treat the Arabs?

"It's very difficult to answer this question. To answer it you have to know much more about history and roots. From what I can see those Arabs who live in Israel feel very free and feel secure, while some Israelis even in their own land feel they have to be wary when they come in contact with Arabs.

"I think that to understand Israel you must live in Israel. If you are outside the country it doesn't look the same as if you live here. It's a little bit difficult."

He smiled warily. "Everyone has his own problem in life."

# Yes, chefs have feelings too

***Nicholas Lander** on a restaurant critic's comeuppance*

MR JUSTICE Frank Martin, a Dublin judge, this week awarded the maximum damages allowed in an Irish Circuit Court, £15,000 plus costs, against the *Irish Times* and its restaurant critic, Sandy O'Byrne, for her review of the Olive restaurant in Sandycove, Co Dublin.

As a restaurateur turned critic this judgment, even though it sets no precedent in British law, should have sent professional shivers down my spine. It did not.

Instead, I felt as though I had eaten a bad meal rather than read someone else's account of one. Why, I asked myself, could the restaurateur not accept the criticism? Why should the reviewer, if she were factually inaccurate, not apologise and print a correction? And why was the legal process involved at all to settle a matter of personal and highly subjective opinion?

In its day my restaurant received both good and bad reviews, fortunately more of the former. Only one, in the *Evening Standard*, shortly after we opened, brought any noticeable increase in business. The other good reviews did, however, have one significant effect – they were wonderful for staff morale. Photocopied and pinned to every available wall in the kitchen and staff changing room, they gave everyone a much-needed boost and allowed us to deal calmly with the customers next day who demanded the impossible immediately.

I wish I could say we accepted the bad reviews with the same equanimity. We swore, cursed, felt very hurt and tried to investigate what had gone wrong. In one respect the hurt was understandable. Cooking is a very personal process.

When I cook at home for friends and they leave anything on their plates – I try to be a generous host – I feel hurt. Chefs have the same feelings. They do not like their hard work to be rejected but because they very rarely see their customers they have no chance of gauging their customers' reaction whether it is laudatory or critical.

But chefs and restaurateurs do share one great advantage. The most difficult aspect for anyone to understand about the restaurant trade is that there is no "pending tray". Everything happens so quickly – a busy dinner follows a hectic lunch seemingly within minutes – and all customers have to be dealt with so promptly that there is little time to sit and talk, let alone mope over a bad review. Instead, there is the immediate possibility of putting things right.

If, at lunch, the fish section was slow or the desserts not good enough, customers can be compensated immediately with a free bottle of wine and the organisational details can be rectified promptly.

A playwright, concert pianist or sculptor, whose productions may take years to create, does not have this opportunity. When I asked the novelist Julian Barnes how he reacted to a bad review he said that it would be inhuman not to feel some gut reaction – letting down the tyres of the reviewer's car was his immediately intuitive solution. But in his previous careers, studying for the Bar and then writing literary and restaurant reviews, he had come to the same conclusions as I have.

First, in matters of personal and critical opinion the law should never be brought in except in extreme cases of damage or malice (i.e allegations of a lack of hygiene that may have caused food poisoning). This would rule out restaurants suing critics for their highly subjective observations.

Second, restaurant reviewers, and their newspapers, should allow restaurateurs and chefs the right of factual correction. Once that was established reviewers might be forced to stick more closely to expressing what they know rather than what they feel.

Such a system would also bridge the gulf between reviewers and their readers. The most salutary aspect of the law suit in Ireland, and there have been similar cases in Paris and Sydney where restaurant critics and their papers have been successfully taken to court by restaurateurs, may be that the general public stops taking any critic's word as gospel. Even the best restaurants and the greatest chefs can have off nights and no restaurant stays bad for ever – it usually goes out of business.

In almost four years as a restaurant critic three different chefs have threatened me with legal action – one even phoned me at home at 8.45am on a Saturday to complain about what I had written about him in that day's paper – but fortunately nothing materialised. What I dread far more is a letter of complaint, or even the threat of legal action, from a reader who has returned disappointed from a restaurant I have praised.

I sincerely hope it will never happen. If it should, I will carry on going to restaurants because I feel that they do more than just serve food and wine. When the novelist Paul Gallico was a sports journalist for the *Daily News* in New York in the 1920s and early 1930s he wrote that he loved going to sporting events – boxing, baseball or the races – because all human life was there. I feel the same way about restaurants and no judge, over-sensitive restaurateur or prima donna chef is going to dampen my enthusiasm for them.

# A real con artist

***Nigel Spivey***

I CANNOT claim to have been one of the late Francis Bacon's champagne claque. But I have a nice vision of the artist from someone who was.

The setting of this vignette is not the Colony Rooms in London's Soho, but a Chinese restaurant in the Clerkenwell Road; and Bacon is ensconced not so much with his arty retinue as with an elite of London mobsters. I am told he got along very well with such criminals, and competed eagerly with them when it came to paying the bill for Chinese meals. He was, as he told them, enormously rich. "Yeah," snarled one. "And you can't even draw a bloody dawg!"

In fact, Francis Bacon may well have had difficulty in drawing a dog: he never claimed to be a realistc draughtsman. But this is not the point. In the eyes of such company at least he seemed like one of them: an arch con man, touching suckers for millions with his pictures and frittering the proceeds as would any big-time felon, on champagne and casinos. It sets me pondering about the rapport between art and criminality. Was Bacon alone in bridging the gap?

The motive of playing tricks on the public has never been far away. Ancient Greek artists liked to paint bunches of grapes so luscious that people would try to grab them. They sculpted cows so motherly that young calves came up to suckle the statues. This, if you think about it, is a kind of fraudulence. Then there was that other Greek artist who, curious to study expressions of pain, subjected his models to tortures of which the Kray Brothers might have boasted.

HAWKS & HANDSAWS

Examples of real degeneracy among great artists readily come to mind. Benvenuto Cellini was as proud of his record of GBH as his silverwork. Caravaggio was a scallywag. Most of the works of Rodin and Augustus John are the fruits of persistent sexual harassment; and as for Salvador Dali, his confessed record of malefaction is too repellent to be quoted here. It is enough to say that he was one of the most poisonous individuals this century has so far produced.

There is a converse side to this. In Rome recently, I watched some pickpockets in action: gypsy children, none of them more than nine or ten years old. Their subject was a camera- and cash-laden caravanserai of Japanese tourists; their treatment of it can only be described as virtuoso. With a few deft strokes, they picked out essential details, exhibited wonderfully sensitive handiwork, and lightened the load of human existence.

What more do we want from any artist? I felt like the fellow who came upon a young Giotto, scratching icons on a rock while tending his father's sheep. There was a genius in these gypsy children: they wanted a proper apprenticeship, an academy, for the full flowering of their potential.

Connoisseurs of crime, of course, share much in common with the connoisseurs of art. It was always the unsigned touches of mastery that intrigued Sherlock Holmes: and his techniques for attribution were exactly the same as those currently being used by a posse of Dutchmen bent on distinguishing Rembrandts from not-Rembrandts.

Trawling page three of the *Daily Telegraph* for first-class examples of modern mastery, I am regularly gratified to find that the aspirations to virtuosity among criminals are abundant, and no signs whatever that the English country house murder is in decline.

Of course, there are plenty of untutored types about – crass daubers and desperadoes who know nothing of preliminary sketches, finishing touches, and so on, but some real craftsmen are in evidence.

There are those who can capture every salient object of value in your house within a matter of minutes. Others present convincing models of pension fund managers; others create marvellous images of aristocratic lifestyles. Still others work in the *chiaroscuro* world of back alleys, mixing unusual powders for extraordinary leaps of the imagination; while others again prefer to shock the public by their stubborn disregard for form and decorum.

To anyone who has lately been burgled or set upon, this will appear a heartless conceit. And in truth, I see only one benefit from granting artistic status to our criminals: it would be a renaissance for which the government would be given credit.